



## **MANAGEMENT ACTION PLAN PROGRESS REPORT**

DATE: May 31, 2018

TO: Jim Gray, Mayor

CC: Sally Hamilton, Chief Administrative Officer  
Glenn Brown, Deputy Chief Administrative Officer  
Aldona Valicenti, Chief Information Officer  
Kenneth Armstrong, Commissioner of Public Safety  
William O'Mara, Commissioner of Finance and Administration  
Dowell Hoskins-Squier, Commissioner of EQ&PW  
Steve Haney, Director of Community Corrections  
Charles Martin, Director of Water Quality  
John Maxwell, Director of Human Resources  
Albert Miller, Director of Streets Roads & Forestry  
Tracey Thurman, Director of Waste Management  
Phyllis Cooper, Director of Accounting  
Susan Straub, Communications Director  
Urban County Council  
Internal Audit Board

FROM: Bruce Sahli, CIA, CFE, Director of Internal Audit

RE: Kronos Timekeeping Audit MAPPR

### **Background**

On March 24, 2017 the Office of Internal Audit issued the Kronos Timekeeping Audit Report. The 2017 audit report contained several findings related to Kronos



access rights, Kronos Pay Rules, Workers Compensation, Leave Requests and Incentive Pay Allowances.

This review is provided for management information only. It is not an audit and no opinion is given regarding controls or procedures. The period of review included an examination of a sample of time reporting documents from October 27, 2017 through April 27, 2018.

A summary of the findings from the original audit report and a summary of the results of our follow-up are provided in the table below. The original findings, management's original responses, and details of the results of this follow-up are contained in the **ORIGINAL AUDIT RESULTS AND FOLLOW-UP DETAILS** section of this report.

<b>Finding</b>	<b>Summary of Original Finding</b>	<b>Follow-Up Results</b>
<b>Finding #1 High Priority</b>	<b>Kronos Access Rights Not Completely Documented</b>	<b>The Function Access Profile should be completed as soon as possible, then provided to the management of each Division to be reviewed for any segregation of duties issues.</b>
<b>Finding #2 High Priority</b>	<b>Kronos Pay Rules Need to be Reviewed</b>	<b>Pay Rules were successfully transferred to the current Kronos version. Human Resources has not recommended any amendments to the Pay Rules. Kronos access rights are limited to the Kronos Administrator and the Kronos backup Administrator. The finding is resolved.</b>



<p><b>Finding #3</b> <b>Moderate Priority</b></p>	<p><b>Inaccurate Workers Compensation Payment</b></p>	<p>The spreadsheet that reports the Worker Compensation payments incorporates the formula to calculate the payment. The Department of Law performs manual checks of the spreadsheet to verify Temporary Total Disability is calculated correctly. The finding is resolved.</p>
<p><b>Finding #4</b> <b>Moderate Priority</b></p>	<p><b>Leave Forms Need Improved Documentation</b></p>	<p>A sample of Leave Requests taken in Water Quality and Waste Management noted employee numbers on the Leave Requests to improve the correct matching of employee Leave Requests to Kronos time entries. Leave Requests should be consistently reviewed for agreement with Kronos time entries and discrepancies should be promptly investigated. Discrepancies should be consistently noted on the Leave Request, and Kronos time entries should be adjusted if necessary. Payroll Coordinators should always sign off on Leave Requests to signify a completed review.</p>



<p><b>Finding #5</b> <b>Low Priority</b></p>	<p><b>Waste Management Incentive Pay Allowance Exceeded</b></p>	<p><b>Kronos Administrator has verified that the Pay Rules from the former Kronos version were successfully transferred to the current Version. Human Resources made several inquiries about the Incentive Pay Rules in order to gain an understanding of how they are applied. The Kronos Administrator informed us that Human Resources has not recommended any amendments to the existing Pay Rules, consistent with the Director of Human Resources response to the 2017 audit. The finding is resolved.</b></p>
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### SUMMARY OF AUDIT FINDINGS

**Original Finding #1: Kronos Access Rights Not Completely Documented**  
**Priority Rating: High**

**Condition:**

The Function Access Profiles in Kronos contain permissions to points in the hierarchy of functions, known as access control points. The Function Access Profiles define the access rights that employees have to components or functions within Kronos. For example, managers and employees who perform different functions need different Function Access Profiles. The Kronos System Administrator was able to provide us with a Security Matrix spreadsheet for Waste Management that included functions and features with a description of the role and the user title. It appeared



that there may be some incompatible roles assigned to the Payroll Coordinator such as “Controls the employee’s ability to approve their own Timecard”. The Kronos System Administrator indicated that a Security Matrix for the remaining Divisions had not been completed.

**Effect:**

The absence of clearly documented access rights for all Kronos users increases the possibility that segregation of duty issues will go undetected.

**Recommendation:**

The Kronos System Administrator, with assistance from Kronos Support and Division personnel, should compile a Function Access Profile that details the access rights of all Kronos users and their applicable access. Once completed, the Function Access Profile should be reviewed by the Kronos System Administrator and management from the user Divisions to identify and address any segregation of duty issues.

**Director of Computer Services Response:**

We agree with the above recommendation, with the following change. The management group for each Division should perform the review of the Function Access Profile with respect to segregation of duty issues. The Kronos System Administrator will be available to provide additional detail or answer questions regarding a specific function.

**Chief Information Officer Response:**

I concur with the response.

**Follow-Up Detail Results:**

We were informed by the Kronos Administrator that the Function Access Profile has not been completed, and she is still working with Kronos management on this project. She indicated she hopes to complete the Function Access Profile in the next couple of weeks. Until this is completed, the next step of having the Function Access Profile reviewed by the management group for each user Division cannot be performed.

The Function Access Profile should be completed as soon as possible, then provided to the management group of each user Division to be reviewed for any segregation of duties issues.



**Director of Computer Services Response:**

Waste Management secured services from Kronos to assist with various items with Kronos. That work has been completed and there are some funds left on this project. Waste Management agreed to use the remaining funds to fund the request for a similar report that was provided a number of years ago. We requested from Kronos support that they replicate the report providing information detailed information on the 'Function Access Profile'. The Kronos Administrator has been working with Kronos support on this request and the latest version of the report does not provide the same information as the original report. The Kronos Administrator has requested that they continue working on this to provide the same information that was contained in the original report.

The Kronos Administrator will continue to work with Kronos support to secure this report.

**Chief Information Officer Response:**

I concur with the Director's response.

**Original Finding #2: Kronos Pay Rules Need to be Reviewed**  
**Priority Rating: High**

**Condition:**

The audit determined that Kronos Pay Rules have not been reviewed for accuracy since the initial implementation of Kronos in 2003. A Kronos Pay Rule contains general payroll information such as type of pay period (e.g., weekly). A Pay Rule can also control the pay period length, the day divide, when punches link to schedules, and holiday credits. We noted during our review of actual hours worked that the reported hours in Kronos were not solely determined by the punch in and out times but also by the Pay Rules. For example, the Pay Rule "Water-Exempt 30 Lunch" will automatically deduct 30 minutes from an employees punched time for the day and reflect a totaled amount less 30 minutes. When we inquired about the Pay Rules, the Kronos System Administrator indicated that LFUCG is in the middle of a Kronos update and it would be a good time to revisit all Kronos Pay Rules.

We also noted some rounding differences in our recalculation of punch in and out times. Kronos indicates that rounding is a way to simplify payroll accounting and reporting and to enforce shift start and end times. We were not able to verify that the



rounding times are consistent for each Division, or that they comply with the Payroll Conversion Chart as provided by the Division of Human Resources.

The Office of Internal Audit provided a list of Kronos Pay Rules obtained during the audit fieldwork to each Division that uses the Kronos timekeeping system. Each Division was instructed to use this list to document which Pay Rules they use, to explain what those Pay Rules are used for and in what circumstances, and to identify any Pay Rules they do not use. Each user Division was also instructed to explain how the Kronos time rounding function works in their respective Divisions. This information was then provided to the Division of Human Resources.

**Effect:**

If Pay Rules and Kronos rounding processes are not properly configured, time reporting may be inaccurate.

**Recommendation:**

Using the Pay Rule and time rounding information provided by the various user Divisions, the Division of Human Resources should evaluate the Pay Rules and Kronos time rounding function to determine they are in compliance with any applicable laws, regulations, and ordinances. Once this review process has been completed, Human Resources should inform the Division of Computer Services if any Kronos Pay Rules should be amended to bring these functions into compliance. The Division of Computer Services should retain a copy of the Pay Rule documentation as support for such changes.

In order to prevent any unauthorized additions, deletions, or edits to Kronos Pay Rules, we also recommend that Kronos access rights granting the ability to make changes to Pay Rules or other Kronos calculation functions should be limited to the Kronos System Administrator in the Division of Computer Services.

**Director of Computer Services Response:**

We agree with the above recommendation that all changes to existing Pay Rules will be documented and provided to the Kronos System Administrator for implementation.

**Chief Information Officer Response:**

I concur with the response.



**Director of Human Resources Response:**

The Division of Human Resources has examined the Pay Rules and time rounding function related to the following Divisions: Streets and Roads, Waste Management, Water Quality, and Community Corrections. Our review process has determined that the Pay Rules associated with these Divisions and the KRONOS time rounding function comply with applicable laws, regulations, and ordinances.

It should be noted that the Division of Human Resources was not asked to, and did not, conduct a performance audit to determine whether the payroll rules were being applied in any specific instance correctly, particularly with exceptions that do occur in any system. The rounding practices for computing working time is acceptable, provided that it is used in such a manner that it will not, over a period of time, fail to compensate employees properly for all the time they have actually worked.

**Chief Administrative Officer Response:**

I agree with the Director of Human Resources response.

**Follow-Up Detail Results:**

**We were informed by the Kronos Administrator that the Pay Rules from the former version of Kronos were successfully transferred to the current Kronos Version. The Kronos Administrator stated that Human Resources has not recommended any amendments to the existing Pay Rules, which is consistent with the Director of Human Resources response to the 2017 audit. The Kronos Administrator was not aware of any changes to payroll practices at the four user Divisions that would require any amendments to the Pay Rules, and stated that Kronos access rights granting the ability to make changes to Pay Rules or other Kronos calculations is now limited to her and the backup Kronos Administrator.**

The finding is resolved.

**Original Finding #3: Inaccurate Workers Compensation Payment**  
**Priority Rating: Moderate****Condition:**

Using the pay codes in Kronos, we traced the hours by pay code to PeopleSoft HCM and recalculated pay based on applicable policy, procedures, and ordinances to ensure accuracy and completeness of transferred information. We noted that one employee



appeared to be paid incorrect Workers Compensation (WC) payments during the pay period July 13, 2015 through July 26, 2015. WC services are currently provided by Risk Management Services Company and we requested their supporting documentation for the WC payments. Based on supporting documentation provided, we were able to determine that a total of \$160 had been underpaid. The current WC representative indicated that the prior adjuster made an error and keyed in the incorrect amount and this information was provided to Payroll. The Payroll Manager stated that the amounts entered into PeopleSoft for WC is provided by the WC Administrator and they rely upon their calculation.

**Effect:**

Inaccurate WC information may lead to over or under payments.

**Recommendation:**

Information regarding the incorrect calculation has been provided to the Department of Law for corrective action.

**Commissioner of Law Response:**

As always, Law appreciates the important work performed by Internal Audit. As to this issue, we first want to note that for 2016 there were 597 checks processed for temporary total disability, resulting in approximately \$704,103 in payments. TTD payments are based on the wage statements that Risk Management Services receive from Accounting. The employee then receives 66 2/3 per cent of their average weekly wage from their highest quarter prior to injury (for days owed based on the Workers Comp statutes and the policies/procedures of LFUCG). In this specific instance, incorrect information was keyed (typographical error). Going forward, instead of typing in the amount to be paid, the spreadsheet will incorporate the formula to calculate the payment. Additionally, Risk Management Services will perform a manual double-check on the TTD rate to confirm the correct payment amount.

**Follow-Up Detail Results:**

**We confirmed with the Commissioner of Law that the spreadsheet used to report Worker Compensation payments incorporates the formula to calculate the payment. The Commissioner also confirmed that the Department of Law performs manual checks of the spreadsheet to verify Temporary Total**



**Disability (TTD) is calculated correctly. The calculation spreadsheet was provided to Internal Audit to support the Commissioner's representations.**

**The finding is resolved.**

**Original Finding #4: Leave Forms Need Improved Documentation**  
**Priority Rating: Moderate**

**Condition:**

Leave request forms are completed in advance of a leave occurrence and are an estimate of projected leave. Therefore, actual leave taken by an employee may need to be adjusted based on their total hours worked for the week. At three of the Divisions included our audit, the Payroll Coordinators manually enter data from the leave request form. We noted during our testwork that Payroll Coordinators in the Division of Water Quality and the Division of Waste Management would sometimes make adjustments/corrections to leave requests; however, notations were not being made to the actual leave form. This gave the appearance that previously authorized leave as noted on the leave request form had been incorrectly entered into Kronos.

We also experienced problems during our test work identifying the correct employee because employee identification numbers were not included on the leave form.

**Effect:**

Failure to initial and date changes made to official employee leave requests results in an inadequate audit trail. Also, failure to post the employee's identification number on the leave request form increases the chances for leave data to be entered in the wrong employee's Kronos file.

**Recommendation:**

Payroll Coordinators should initial and date any changes made to an employee's leave request form to provide a complete audit trail. Leave request forms should be revised to include the unique employee identification number in order to eliminate any confusion regarding employees with similar names.

**Director of Water Quality Response:**

In regards to discrepancies between recorded Kronos leave time and signed leave slips submitted by employees, Water Quality will initiate a near-term solution by having



employees initial changes made on the signed leave form so that both records match. Water Quality will also pursue a long-term solution where the employee must approve their time card prior to submittal to payroll, thus recording the employee's acknowledgement that the Kronos record is the official record of their leave time.

In regards to employee identification numbers included on the leave forms, the official forms have been edited and sent to staff for distribution and use.

#### **Director of Waste Management Response:**

The Division of Waste Management has modified the leave request to include a section for the employee identification number to be recorded on the form. This has been distributed to all staff. In addition, payroll coordinators have been informed to have leave slips signed whenever changes are made to the requested leave or to reflect the actual leave used.

#### **Commissioner of Environmental Quality and Public Works Response:**

Concurs with the changes recommended by the Directors of the Divisions of Water Quality and Waste Management.

#### **Follow-Up Detail Results:**

**We reviewed a judgmental sample of Leave Requests submitted between January 5, 2018 and April 23, 2018 in the Division of Water Quality. The Water Quality Leave Request forms included the employee ID number. The Payroll Coordinator typically noted any variances between time posted in Kronos and the time requested on the Leave Request, but did not initial the form to signify her review. We also traced a sample of Leave Requests to time entries posted in Kronos. We noted several discrepancies between the Leave Requests and the Kronos entries. The Payroll Coordinator corrected the Leave Requests to match the Kronos entries.**

**We also reviewed a judgmental sample of Leave Requests submitted between October 27, 2017 and April 27, 2018 in the Division of Waste Management. The Waste Management Leave Requests included the employee ID number. The Payroll Coordinator noted any variances between the time posted in Kronos and the time requested on the Leave Request, and initialed the form to signify her review. We also traced a sample of Leave Requests to time entries posted in Kronos. We noted a few discrepancies between the Leave Requests and the**



Kronos entries. The Payroll Coordinator corrected the Leave Requests to match the Kronos entries.

Comparing the Leave Requests to Kronos records will identify situations where someone clocked in during a time when they were approved for leave, or did not clock out for a time when they were approved for leave. Both situations represent anomalies that should be consistently investigated. The Leave Requests also document supervisory approval of leave time.

The Payroll Coordinators in the Divisions of Water Quality and Waste Management should consistently compare Leave Requests to Kronos time entries on a timely basis and verify any discrepancies with the supervisor who signed the Leave Request. The Payroll Coordinators should also consistently adjust the Leave Requests and initial them when they do not match the Kronos entries when appropriate to do so. If the comparison of Leave Requests to Kronos entries identifies an erroneous Kronos entry (e.g., an employee did not clock out for a doctor appointment that was approved on a Leave Request and which was in fact taken), then the Kronos time record should be corrected.

**Director of Water Quality Response:**

The Payroll Coordinators in the Division will try to do better in the future.

**Director of Waste Management Response:**

The Division of Waste Management has reviewed the results from the follow-up Audit and noted that there were few discrepancies between leave requests and Kronos time entries during the sample period. The Division has made many improvements to strengthen internal processes for greater accountability and accuracy in time reporting and approvals. During this same time period, the Division's payroll coordinator took a promotion in another Division and a new employee received training to perform job functions. The Division of Waste Management will continue to exercise due diligence to ensure established procedures are followed.

**Commissioner of Environmental Quality and Public Works Response:**

The Payroll Coordinators in the Divisions of Waste Management and Water Quality should compare Leave Requests to Kronos time entries each pay period, verify any discrepancies, adjust the Leave Requests (and initial) and/or



**Kronos time entries when justified. Both Divisions should continue to monitor and ensure that proper payroll procedures are followed.**

**Original Finding #5: Waste Management Incentive Pay Allowance Exceeded**  
**Priority Rating: Low**

**Condition:**

It has been a longstanding practice within the Division of Waste Management that employees will be allowed to go home with no loss in pay up to two hours before the end of their shift once they have completed their route and any assignments they have been given for that day. We performed testwork on reports generated by Kronos to determine if the Kronos Pay Rules comply with this practice, which is also referenced in the Waste Management Memorandum of Understanding. Our review noted four separate work days where two employees reported more than two hours of incentive time for a single days work. The incentive hours exceeded the maximum daily from 0.1 to 0.2 hours.

**Effect:**

Exceeding the allowable incentive hours is inconsistent with the longstanding practice within the Division of Waste Management.

**Recommendation:**

The Director of Waste Management should coordinate with the Kronos System Administrator to conduct a controls review of the Waste Management Incentive Pay Rule. The Pay Rule may need to be revised to flag all daily activity where the incentive hours have been exceeded for management review.

**Director of Waste Management Response:**

The Division of Waste Management received funds in the current fiscal year to upgrade the Kronos system and address this issue. The project includes updating Pay Rules to simplify and improve the overall efficiency of the Division's payroll process.

**Commissioner of Environmental Quality & Public Works Response:**

Concurs with the Director of Waste Management and will monitor progress until fully implemented.



**Follow-Up Detail Results:**

We were informed by the Kronos Administrator that the Pay Rules from the former Kronos version were successfully transferred to the current Kronos Version. We also noted that Human Resources made several inquiries about the Incentive Pay Rules in order to gain an understanding of how they are applied. The Kronos Administrator stated that Human Resources has not recommended any amendments to the existing Pay Rules, which is consistent with the Director of Human Resources response to the 2017 audit.

The finding is resolved.

