

Assistance and Guidance Report



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Administration and Processing of Leave and Attendance

Report #1219

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Introduction

This guidance is intended to assist management demonstrate accountability and compliance over recording and processing of leave and attendance transactions. The information in this report was obtained during the City Audit of Selected Departments' Leave and Attendance Processes (Report #1218, September 5, 2012). In that audit, several common issues and internal control weaknesses were identified that we believe may be occurring across other City departments. This guidance is being distributed to all City departments and offices to assist management in the administration and processing of leave and attendance transactions.

Specific laws and City policies are referenced throughout the report and in Appendix A to provide specific authoritative direction in selected areas related to the common issues identified. To obtain more information, departments should refer to the complete law or City policy. Additionally, Human Resources should be contacted regarding the application of the laws and policies related to leave and attendance.

We are aware that the City is currently evaluating new leave and attendance recording systems and plans to acquire a new system during fiscal year 2013. We recommend the acquisition committee consider the issues and needed controls outlined in this report and the recent audit during their evaluations.

Standards Followed for this Assistance and Guidance Report

The information for this assistance and guidance report was based on the findings and conclusions in the Audit of Selected Departments' Leave and Attendance Processes. We conducted that audit in accordance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provided a reasonable basis for our findings and conclusions based on our audit objectives.

Roles and Responsibilities in Processing Leave and Attendance Transactions

Leave and attendance encompasses the development and management of human resources policies and procedures, employees performing work and earning and taking leave, and entry of type and amount of work performed and leave taken for each employee into the City's timekeeping system. This information is then used in the preparation and disbursement of payroll to employees. These duties are performed in different departments and divisions throughout the City.

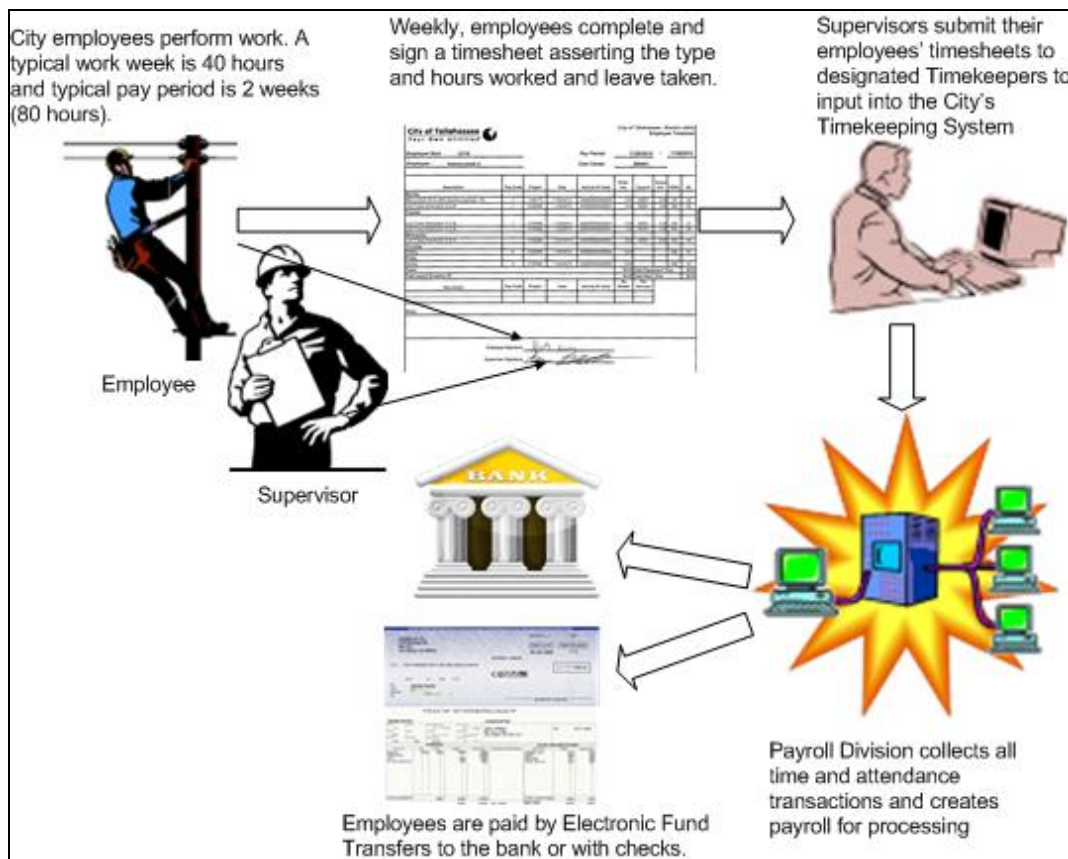
The development and management of human resources policies and procedures are centralized within the City's Human Resources Division, located in the Department of Management and Administration (DMA). The division is responsible for providing comprehensive human resource services including personnel management,

classification and pay, benefits administration, labor relations, safety, employee data in the Human Resource Management System (HRMS), human resource policy and procedures and training, and organizational development and strategic planning support.

Figure 1 on page 2 provides a graphic depiction of the City’s biweekly payroll process, starting with employees working (or taking leave), through the distribution of payroll. As shown in the figure, every

week, employees are required to record and verify the type and number of hours worked and leave taken on a timesheet. The timesheet can be on paper or in an automated timesheet recording system. At this time, none of the automated timesheet recording systems interface to the City’s timekeeping system. The recording of employees’ leave and attendance transactions into the City’s timekeeping system is performed by designated timekeepers within departments and divisions.

**Figure 1
Biweekly Payroll Process**



Who is responsible for what? [Based on City APP 615, “Policy on Timesheet Requirements for Payroll Processing”]

- 1) Employees are required to record and verify by signature the type and number of hours worked and leave taken on a timesheet.
- 2) Supervisors are required to confirm by signature that the timesheet has been reviewed and they concur with the employee's assertions as to the time worked and/or leave taken.
- 3) Individual departments or divisions (through timekeepers and managers) are responsible for the accuracy of recording leave and attendance information for each employee in their respective departments or divisions into the City’s timekeeping system.

Individual departments or divisions are also responsible for retaining all documentation that supports leave and attendance records for at least “three fiscal years provided applicable audits have been released.” [State of Florida

General Records Schedule GSI-SL for State and Local Government Agencies, Item #116]

- 4) Department directors are responsible for ensuring that applicable policies are enforced.
- 5) Accounting Services Payroll Division collects all the leave and attendance information input into the timekeeping system and prepares accurate and timely payment of salaries to all employees on a bi-weekly basis, either through direct deposits transferred electronically to the bank or paper checks.

Best Practices to Address Common Leave and Attendance Issues

Timesheets should always be signed by both the employee and supervisor.

There are varying requirements of City positions for recording leave taken and work performed. Any employee eligible for overtime or compensatory time must complete a weekly timesheet to document the type and amount of time worked. City employees in upper management positions not eligible for overtime or compensatory time must document the type and amount of leave taken on a weekly basis. All documentation must be signed by the employee asserting to its accuracy and by supervisors to indicate approval and also assert to its accuracy.

During our recent audit, we noted instances where:

- Employee timesheets were not signed by the employee (i.e., the signature line was blank).
- Employee timesheets were signed by supervisors or timekeepers in place of the employee.
- Weekly timesheets used by supervisors to record time worked by multiple employees did not provide a place for employees to sign.
- Weekly timesheets were not signed by supervisors.

When the employee does not sign the timesheet, there is no evidence to support that the employee attested to the accuracy of the time worked and/or leave taken for that week. When the supervisor does not sign the employee's timesheet, there is no evidence that the timesheet has been reviewed, approved, and the supervisor concurs with the

employee's assertions as to the time that was worked and/or leave taken.

Prior period adjustments should always be approved by supervisors.

A prior period adjustment is defined as the need to correct time and attendance for a period AFTER the period has already been loaded to the payroll system for payment. The need can occur one hour after the load, one month later, or on an earlier payroll period. Examples of situations that would require a prior period adjustment include:

- Employee was not paid hours due him/her.
- Employee was overpaid hours.
- Employee's leave was entered incorrectly.
- A charge was allocated to a wrong account number.

Timekeepers follow the same procedures as when they are inputting leave and attendance transactions. They use the pay period end date and week end date for the week and period that needs the adjustment, and add as many adjustment rows as needed. The timekeeper enters a negative number of hours/units to remove what should not have been paid and positive hours/units to enter the correction.

Importantly, prior period adjustments can affect pay. Therefore, prior period adjustments require the same verification from employees and approval and confirmation from supervisors as on timesheets.

System access should be limited in the timekeeping and HRMS system so that they are not allowed to enter leave and attendance transactions for themselves and/or for employees outside of their areas of responsibility.

First, APP 630, Section II, "Control Activities" #5, "Segregation of Duties" requires that key duties in authorizing, processing, and recording transactions or events should be segregated among individuals to reduce the risk of error or inappropriate actions.

During our recent audit, we noted timekeepers were able to input their own leave and attendance transactions into the timekeeping system. System access is assigned based on the department or division code. For example, a timekeeper assigned access to input leave and attendance transactions for Fire will be assigned access to department code

“20.” All timekeepers that work in the Fire department will have system access to input leave and attendance transactions for Fire department employees, including themselves. Additionally, with this access, the timekeepers can also make prior period adjustments to their own leave and attendance records.

While some departments implement policies that timekeepers are not to input their own leave and attendance transactions, the system access capability and risk still exists.

Until the City has a timekeeping system that can limit system access appropriately for timekeepers, managers should implement compensating controls to monitor leave and attendance transactions related to timekeepers.

Employees should not be allowed to use leave before it has been earned.

City Personnel Policy 708 states “an employee who does not have available paid leave and who is not authorized for advance leave or donated leave should not be paid for leave and not be allowed to go into a negative leave balance.” We reviewed listings of employees with negative leave balances throughout the audit fieldwork. In June 2012, there were 40 employees citywide with negative balances in a variety of leave categories, including sick, personal, compensatory, and personal/wellness.

The current timekeeping system does not prevent leave from being entered when there is not an available leave balance to cover the amount of leave used by employees. Department staff is responsible for ensuring employees have an adequate balance before approving leave and recording leave.

There is a query timekeepers can run periodically to identify any employees with negative leave balances in their departments. If an employee accidentally takes more leave than available, a prior period adjustment should be made to change the leave to an appropriate leave category with an adequate balance or record leave without pay.

Departments must document employees’ election to receive Compensatory Time in place of overtime.

FLSA Rule Section 553.23(a) states that "as a condition for use of compensatory time in lieu of overtime payment in cash, section 7(o)(2)(a) of the

Act requires an agreement or understanding reached prior to the performance of work. This can be accomplished pursuant to a collective bargaining agreement, a memorandum of understanding or any other agreement between the public agency and representatives of the employees."

Compensatory time can be either at regular rate of hours worked or at a rate of 1 1/2 times the hours worked depending on the circumstances. City Personnel Policy and Procedure Chapter 704, Section H allows for employees to elect to receive compensatory time in place of overtime by completing an “Overtime Compensation Agreement.”

There appears to be some confusion regarding when compensatory time can be offered in place of overtime. According to Human Resources, a director may not require those who work overtime to take compensatory time in place of overtime if the employee has not chosen to receive compensatory time. However, a department director, in considering the operational needs of the department, has the right to restrict those who work overtime to only those employees who have chosen to take time, rather than money, as their compensation.

Before employees work overtime, each department that provides compensatory time in lieu of overtime and eligible employees should be made aware of and properly document and retain [Overtime Compensation Agreements](http://cotweb/newcitynet/content.asp?contentid=2286) (<http://cotweb/newcitynet/content.asp?contentid=2286>) for those employees that opt to receive comp time instead of overtime. This only needs to be done once and the department should retain the signed agreement for future use as long as it is applicable.

Employees must use compensatory time before personal leave unless the employee is in a use or lose situation.

City Personnel Policy 704.05 states an employee must deplete compensatory time before any personal leave is granted, unless the employee will lose personal leave time due to the personal leave carry over rule.

Additionally, there are circumstances for which eligible employees will be paid for their compensatory time balance. See Personnel Policy 704.05 for the eligible employees and detailed circumstances.

Pre-Approved Personal (PAPER) leave may not be being applied correctly.

PAPER leave was implemented in 2006 as an added benefit for employees who are required to work overtime during a week that had also been previously approved for leave.

In our interviews with timekeepers and testing of the user of PAPER leave, there were misunderstandings of who was eligible to receive PAPER leave and what supporting documentation was required for the use of PAPER leave.

First, according to City Personnel Policy 704.05, only employees in positions classified as “Non-Exempt” and “Supervisory 1” are eligible to utilize PAPER leave for additional overtime compensation. Second, an employee must have obtained approval for personal leave prior to the schedule being developed for the week, and then was required to work, for the leave time to be classified as PAPER leave and be counted toward the 40 hours to determine eligibility for overtime compensation. Third, only if employees are required to work overtime during the same week that pre-approved leave was taken should PAPER leave be recorded in the timekeeping system. Otherwise the leave should be recorded as regular personal leave.

Misuse of PAPER leave can result in the inaccurate application of overtime. The timekeeping system does not prevent the use of PAPER leave for ineligible employees. Supervisors are responsible for ensuring the proper use of PAPER leave.

“On-call” duty is only available for eligible employees.

During our recent audit, we noted one employee receiving on-call pay and also using sick leave on the same day. Additionally, on that same day, the employee was called back to work and received call-back pay.

City Personnel Policy Chapter 704C does not explicitly address when an employee is eligible or not eligible for on-call duty. Human Resources management and the City Attorney’s Office agree that the policy should be revised to clearly state that employees on personal or sick leave should not be eligible for on-call duties unless responding to emergency conditions. Management will be clarifying the policy soon to address instances when

employees are eligible for on-call and not eligible for on-call duty pay, such as when employees are out on personal or sick leave unless responding to emergency conditions.

Time & Attendance written or electronic documentation that supports the amounts paid and leave taken for employees should be retained for at least three fiscal years. Specific retention requirements may differ based on funding sources and requirements.

In general, State of Florida General Records Schedule GS1-SL State and Local Government Agencies Item #116 requires that attendance and leave records be retained for three fiscal years after the current fiscal year. Attendance and leave records departments would need to retain include: timesheets, along with any required supporting documentation submitted by an employee to document authorized absences, and requests for leave.

APP 615, Timesheet Requirements for Payroll Processing, requires that written or electronic documentation be retained that supports the amounts paid and leave taken for employees. Commission Policy 146, “Records Retention” encourages City departments to identify areas where technology can be used to capture and store electronic documents.

While the State of Florida Administrative Procedures apply, there may be other retention requirements that supersede these state requirements. For example, federal grants or industry regulations may have retention requirements that may be longer than three years. Each department should be aware and comply with their specific retention requirements.

During our audit, we noted that timesheet records were not being stored in a consistent manner or for a consistent length of time. Each department is responsible for retaining timesheet documentation to support the amounts paid and leave taken for their employees and each department stored their supporting documentation differently within the department. For example, in Electric, we noted that timesheets were stored in locked file cabinets in one office, in a binder in another office, and in EDMS for other Divisions. Departments should seek to implement a consistent practice for records storage and retention.

Outdated time clocks requiring manual calculations of time worked should be replaced with more accurate methods.

During our recent audit, we noted there were locations in the City using antiquated time clocks recording the time an employee clocked in to work and clocked out from work. The times were difficult to read and supervisors were making errors manually calculating the amount of time worked. Such machines are outdated and increase the risks that the number of hours an employee works is not accurately being recorded.

Timekeepers should be trained along with supervisors on how to apply City policies and FLSA rules related to categorizing time and attendance.

Currently, supervisors receive training in Timesheets and Leave as part of the Human Resources' Policies and Procedures training because supervisors are responsible for what is recorded on the timesheets. Timekeepers have received training on how to input the data into the timekeeping system, either from Accounting Services or from other timekeepers. Timekeepers are responsible for inputting what is on the timesheets into the timekeeping system.

It would be beneficial for the timekeepers to also receive training on how to apply the rules and policies and procedures. That would assist the timekeepers in understanding how leave and time worked are categorized and in bringing to the attention of supervisors items inadvertently overlooked in the approval of leave and attendance. Examples of rules and topics that should be included in such training would include:

- Overtime – eligibility and calculation (FLSA rules and City policies)
- Overtime Compensation Agreements – documentation and retention requirements (FLSA rules and City policies)

- Compensatory Time – when it can be used and limitations (City policies)
- Workers' Compensation – eligibility, when it can be used, how to record, and documentation requirements (Florida laws and City policies)
- Catastrophic Leave - eligibility, when it can be used, how to record, and documentation requirements (City policies)
- Paid and Unpaid Leave – when each can be used and their limitations (City policies)
- Retention – what to retain and acceptable storage methods (State rules and City policies)

These laws, rules, and policies are briefly described in Appendix A.

Conclusion

We are aware that the City is currently evaluating new leave and attendance recording systems and plans to acquire a new system during fiscal year 2013. We would recommend that the acquisition committee consider the issues and needed controls outlined in this report and the recent audit during their evaluations.

This report was developed to provide assistance and guidance to departments in accurately processing and documenting leave and attendance transactions. We have provided best practices to address common issues identified during our recent audit, Audit of Selected Departments' Leave and Attendance Processes (Report #1218, September 5, 2012).

Specific laws and City policies are referenced throughout the report and in Appendix A to provide specific authoritative direction in selected areas related to the common issues identified, but are not all inclusive. To obtain more information, refer to the complete law or City policy. Additionally, Human Resources should be contacted regarding the application of the laws and policies related to leave and attendance.

Copies of this Assistance and Guidance Report #1219 or Audit of Selected Departments' Leave and Attendance Processes and Transactions Report #1218 may be obtained from the City Auditor's website (<http://talgov.com/auditing/auditingreports.cfm>), or via request by telephone (850-891-8397), by FAX (850-891-0912), by mail or in person (Office of the City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail (auditors@talgov.com).

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Appendix A – Relevant Laws, Rules, and Policies Related to Processing of Leave and Attendance Transactions

Law, Rule, or Policy and Procedure	Applies to	Description	Selected Specific Requirements
Fair Labor Standards Act (FLSA)	Full-time and Part-time Employees	The FLSA establishes minimum wage, overtime pay, recordkeeping, and youth employment standards affecting employees in the private sector and in Federal, State, and local governments. Specific sections of the law applicable to this audit report include overtime and compensatory time.	1) Employees can opt to receive Compensatory time in lieu of overtime.
Florida Statutes Chapter 440, Workers' Compensation Insurance Law	Employers, and Full-time and Part-time Employees	It is the intent of the Legislature that the Workers' Compensation Law be interpreted so as to assure the quick and efficient delivery of disability and medical benefits to an injured worker and to facilitate the worker's return to gainful reemployment at a reasonable cost to the employer.	1) Workers' compensation eligibility, regulations, and requirements are defined.
State of Florida General Records Schedule GS1-SL	Documentation retention requirements of the City's leave and attendance records	The general records schedules are intended for use by state, county, city, and special district public records custodians. The schedules provide retention periods for the most common administrative records such as routine correspondence and personnel, payroll, financial, and legal records.	1) Attendance and leave records shall be retained for three fiscal years provided applicable audits have been released.
City Administrative Policy and Procedures 630, "Internal Controls"	To all departments	This policy establishes and maintains an internal control structure designed to ensure: that there is compliance with laws, regulations and policies; that resources are safeguarded against waste, loss and misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports.	1) Management should provide an environment in which people conduct their activities and carry out their responsibilities. 2) Key duties in authorizing, processing, and recording, transactions or events should be segregated among individuals to reduce the risk of error or inappropriate actions. 3) Supervisors assign, review, and approve staff's work resulting in proper processing of transactions or events.

<p>City Personnel Policy Chapter 703, "Temporary Employment"</p>	<p>Full-time and part-time employees in a temporary status</p>	<p>This policy provides uniform guidelines for the employment of persons in temporary (non-regular) status either on a full-time or part-time basis.</p>	<ol style="list-style-type: none"> 1) Temporary employees are paid only for time worked.
<p>City Personnel Policy Chapter 704, "Compensation"</p>	<p>Various sections apply to the different classifications of employees</p>	<p>This policy classifies all positions according to duties, functions, responsibilities, and required training and experience; and provides equitable and adequate compensation, in the form of both pay and monetary fringe benefits. This includes on-call bonus and call-back pay, overtime (including application of pre-approved personal leave) and compensatory time.</p>	<ol style="list-style-type: none"> 1) Only employees in specified positions are eligible to receive overtime pay or compensatory time. 2) Only employees eligible to receive overtime are eligible to receive PAPER leave. 3) Compensation for overtime can be paid at 1 ½ times the rate of pay or at the regular rate of pay ("straight-time"). 4) Compensatory time in lieu of overtime can be at 1 ½ times the number of overtime hours worked or at straight-time. 5) Accrued compensatory time should not exceed 80 hours. 6) Compensatory time should be used prior to personal leave. 7) Eligibility and conditions for "on-call" and "call-back" duty.
<p>City Personnel Policy Chapter 706, Working Conditions</p>	<p>Various sections apply to the different classifications of employees</p>	<p>This policy applies uniform regulations governing working conditions, including those legal constraints which affect employees in the public service; and provide a safe and healthful workplace for employees and protection from hazardous substances, equipment and conditions. This includes workers' compensation.</p>	<ol style="list-style-type: none"> 1) Workers' compensation leave and benefits' requirements are defined. 2) Conditions for employment are defined. 3) Requirements for break and lunch periods are defined.
<p>City Personnel Policy Chapter 708, "Types of Leave"</p>	<p>Various sections apply to the different classifications of employees</p>	<p>This policy provides the types of leave available for employees, including holidays, leaves of absence with pay, and leaves of absence without pay. It also provides guidelines and requirements regarding leave accrual and use.</p>	<ol style="list-style-type: none"> 1) Requirement to have a leave balance before leave can be taken. 2) Defines how each type of leave is accrued. 3) Defines when each type of leave is available to use.