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# Internal Audit Report – Timekeeping Department of Human Services

Report Date: December 17, 2018

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## TRANSMITTAL LETTER

December 17, 2018  
 Ms. Anita Friedman  
 Director, Department of Human Services

Ms. Maria Meredith  
 Deputy Director, Department of Management and Finance

Arlington County, Virginia  
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Pursuant to the contract and related statement of work for Arlington County, Virginia (“the County”), we hereby present the internal audit of timekeeping for the Department of Human Services (“DHS”). Our report is organized in the following sections:

<b>Executive Summary</b>	This section includes a background summary of the function, the objectives and approach and a detailed description of the observations noted during this audit. Identified with each observation is the recommended action(s), and management’s corrective action plan, including the responsible party and estimated completion date.
<b>Background</b>	This section provides an overview of the function within the process and pertinent operational control points and related compliance requirements.
<b>Objectives and Approach</b>	The internal audit objectives and focus are expanded upon in this section as well as a review of the various phases of our approach.
<b>Process Maps</b>	This section illustrates process maps, which depict data flow, key control points and any identified gaps.

As described in our objectives and procedures outlined on pages 7 and 8 of this report, the observations noted are based on our analysis of the processes, documents, records and information provided to us by the County. This internal audit focused on evaluating the soundness of internal control policies to safeguard assets and on reviewing compliance with County policies. We offer no assurances that schemes or fraudulent activities have not been, or are not currently being perpetrated by any person within the areas reviewed.

We would like to thank the staff and all those involved in assisting RSM US LLP with this internal audit of timekeeping for DHS.

Respectfully Submitted,

*RSM US LLP*

**RSM US LLP**

## EXECUTIVE SUMMARY

### Background

Timekeeping is the process by which an employee's time and paid leave is recorded. Because of the unique ways an employee's time is recorded and, ultimately, how their pay is determined, timekeeping processes are decentralized and maintained at the department level. Each department has varying pay scales, benefit offerings, laws and regulations it must comply with and, as such, their policies and procedures can be significantly different from each other. Employees are subject to a variety of complex compensation structures, such as salaried, hourly, temporary, seasonal, and other compensation arrangements. Pay types include work time, sick leave, premiums, bonus, overtime, annual leave, holidays, shift, standby/callback pay, etc.

Within the Department of Human Services ("DHS"), the time entry process is automated through the County's integrated human resource and financial information system, PRISM. All 703 DHS employees enter their time into a PRISM electronic timecard, as well as receive timecard approval through the PRISM system.

The County has adopted *Administrative Regulation 2.7* and the *Overtime Compensation and Premium Pay* (formerly known as *Administrative Regulation 2.12*) to guide policies and procedures for timekeeping, leave, overtime and compensatory time, etc.

### Overall Summary / Highlights

The observations identified during our assessment are detailed within the pages that follow. We have assigned relative risk or value factors to each observation identified. Risk ratings are the evaluation of the severity of the concern and the potential impact on the operations of each item. There are many areas of risk to consider in determining the relative risk rating of an observation, including financial, operational, and/or compliance, as well as public perception or 'brand' risk.

Fieldwork was performed September 2018 through November 2018.

We would like to thank all Arlington County team members who assisted us throughout this internal audit.

### Objective and Scope

The primary objective of this internal audit was to evaluate and determine if the internal control structure over timekeeping is appropriately designed and operating effectively, within DHS, to adequately safeguard County assets. Procedures included:

- Assess segregation of duties and user access controls for proper monitoring and appropriateness over timekeeping and employee Masterfile;
- Assess the location and security of employee records;
- Verify that time and attendance information agrees to appropriately approved and authorized supporting documentation; including determination if supporting documentation allows for appropriate audit trail;
- Review appropriateness of individual and overall time approval;
- Determine if payroll changes are appropriately supported, authorized, and verified;
- Verify that hours paid agree to the supporting documentation; and
- Determine if compensation is in accordance with the County's Overtime Compensation and Premium Pay (formerly known as Administrative Regulation 2.12) and Administrative Regulation 2.7.

The scope of the internal audit included timekeeping transactions from June 1, 2017 through September 5, 2018 within the following DHS functions:

- Behavioral Healthcare
- Child & Family Services
- Public Health

### Number of Observations by Risk Rating

(See page 8 for rating definitions)

	High	Moderate	Low
Internal Audit – DHS Timekeeping	-	1	-

## EXECUTIVE SUMMARY (CONTINUED)

### Detailed Observations

Risk Rating	Observation	Recommendation	Management's Response
Moderate	1. Pre-Approval of Various Compensation Categories – County Level		
	<p>Based on inquiry with DHS personnel, it was noted that evidence of pre-approval of non-regular compensation categories is the responsibility of the requesting employee's direct Supervisor.</p> <p>Per County policy, various aspects of compensation require pre-approval, but the varying policies do not identify how the pre-approval is required to be documented or addressed. We tested a sample of sixty (60) time records and noted the following:</p> <p><u>Vacation Leave</u>                      The County's Administrative Regulation 2.7, Chapter 9, §2.2 states <i>"An employee must request Vacation Leave in advance from his or her supervisor following departmental procedures. An employee must receive approval before taking leave."</i></p> <p>As part of our transactional testing, we identified thirteen (13) instances in which pre-approval for vacation leave was not documented. In all cases, the employee's time was approved by the Supervisor's documented review and approval of time records, which is post-occurrence.</p> <p><u>Compensatory Leave</u>                      The County's Administrative Regulation 2.7, Chapter 9, §4.3 states <i>"An employee must request Compensatory Leave in advance from his or her supervisor following departmental procedures. An employee must receive approval before taking leave."</i></p> <p>As part of transactional testing, we identified one (1) instance in which no pre-approval was documented for compensatory leave. The employee's time was approved by the Supervisor's documented review and approval of time records, which is post-occurrence.</p>	<p>We recommend that the County enhance the current policies and procedures related to the pre-approval of the various compensation categories to better document and provide more specific standardized requirements for compliance. Options for the County could include, but are not limited to:</p> <ul style="list-style-type: none"> <li>• Determine if documented supervisory-level review and approval on the PRISM time card is sufficient for the approval of the various leave requests.</li> <li>• Develop a workflow to document and standardize pre-approval requests (compensatory leave, vacation leave, overtime – including advance notification to the employee, call back etc) that require the employees and supervisors to complete, sign off and date. This workflow, including, documented completion review and approval, could be via manual form or through PRISM, if the system allows for this automation.</li> </ul> <p>Total non-regular (overtime, comp time, etc.) hours should be reviewed by the Division/Bureau Chief, or designee of the appropriate level, on a periodic basis. This review should be documented via sign-off by the Division/Bureau Chief, or designee of the appropriate level.</p>	<p><b>Response:</b>                      HRD responded to similar findings in the audit report dated April 24, 2017.</p> <p>While HRD believes that supervisory review and approval of time cards in PRISM is sufficient for approval of leave requests, that does not comply with the current administrative regulation. For the County to function efficiently, it is important for employees to request leave in advance whenever possible. As such, we would not recommend removing the requirement for pre-approval. HRD has recommended changing the regulation to allow for either verbal or written approval of leave requests. The administrative regulation is under review. Then the draft changes must be made available for employee comment prior to final adoption.</p> <p>The County currently has three methods for documented leave approval in use. The first is simply an email exchange between the employee and supervisor. The second is a leave request form available on AC Commons, which is routed to the supervisor for approval when submitted. This form has been in use for many years.</p>

**EXECUTIVE SUMMARY (CONTINUED)**  
 Detailed Observations (continued)

<u>Risk Rating</u>	<u>Observation</u>	<u>Recommendation</u>	<u>Management's Response</u>
	<b>1. Pre-Approval of Various Compensation Categories – County Level (continued)</b>		
			<p><b>Response:</b>                      The third method uses the SharePoint Out of Office Calendar function for electronic request and approval of leave. A number of departments already use this system. We presented the capabilities of such a system at the HR Liaison meeting on November 16, 2017 to encourage departments to use SharePoint for maintaining records of approval.</p> <p>The Department of Technology Services (DTS) is exploring some revisions to the SharePoint function to allow for request/approval for comp time earned and OT in addition to leave and alternate work arrangements. They also plan to standardize some functionality to ensure they can support its use more broadly across the County. When DTS is ready, DHS will coordinate directly with them to configure the SharePoint function in a way that best suits their needs and satisfies the timekeeping requirements.</p> <p>Regarding review of non-regular hours, HR has developed a report that provides total OT pay and hours, both in detail by employee, or in summary by PRISM organization. HR Liaisons were trained January 9 and 11, 2019 to run this report and have been provided a form to document management review.</p> <p><b>Responsible Party:</b>                      HRD-Employee Relations – Revision of administrative regulations                      DHS HR Bureau Chief – coordinate with HRD and DTS to implement SharePoint out of office calendar                      DHS HR Bureau Chief – generation of OT/Comp Time report for management review</p> <p><b>Estimated Completion Date:</b>                      Revision of administrative regulations – Summer 2019                      DHS Use of SharePoint Out of Office Calendar – Summer 2019                      DHS use of OT/Comp Time Report – Spring 2019</p>

## BACKGROUND, OBJECTIVES AND APPROACH

### Background

#### **Overview**

Timekeeping is the process by which an employee records time and paid leave, and is supported by the payroll process to validate that employees are appropriately compensated for the work they perform. Both functions are operated at a County-level, however each department has a unique process for recording employee time and, ultimately, how their pay is determined.

Depending on the department/division, time is entered into the County's integrated human resource and financial information system "PRISM" (Oracle's e-Business Suite) either directly by an employee, by a Timekeeper or by a file that is uploaded from a separate time and attendance application.

Specific to DHS, time entry/input is restricted to the employee and DHS personnel designated as timekeepers. Each County employee's time and attendance record, regardless of his/her department/division's application, requires supervisory-level approval for each pay period, which is documented through the approval function in PRISM. The sole time entry method utilized by all DHS employees is the "self-service" time entry function. DHS employees are responsible for recording their time directly into the PRISM system on a daily basis. Entries are reviewed by the Timekeeper and routed to Supervisors for final approval.

Each department has varying pay scales, laws and regulations it must comply with and, as such, their policies and procedures can be significantly different from each other. Employees are subject to a variety of complex compensation structures, such as salaried, hourly, temporary, seasonal, and other compensation arrangements. Pay types include work time, sick leave, premiums, overtime, annual leave, holidays, shift, standby/callback pay, etc.

#### **Department of Human Services**

There are 703 employees within DHS across forty-four (44) groups. The timekeeping function is centralized and operated by DHS personnel, as well as automated via the PRISM system, which houses all time records and subsequent approvals. All employees utilize PRISM to submit their time, while maintaining any supporting documentation related to leave requests is the responsibility of each employee's direct Supervisor.

The overall timekeeping process is consistent across all of DHS. Employees are required to record their time electronically and submit it every two weeks. Once the time has been submitted, the Timekeeper performs a completeness review. Any necessary changes are communicated and timesheets are updated by the employee. The time record is routed to the employee's direct Supervisor for an automated/systematic approval. Upon Supervisory approval, the time record is routed back to the Timekeeper for final approval. Once submitted as approved by the Timekeeper, the time record is systematically ready for payroll processing. Any flagged errors or variances by Payroll are reviewed by the Timekeeper and corrected by the employee as needed, however if no errors are present the employee receives their pay via direct deposit.

#### **Current Policies and Procedures**

The Federal government has many laws that the County must comply with regarding timekeeping, hourly pay and labor related issues. They include, but are not limited to, the Fair Labor Standards Act ("FLSA") of 1938 and Family & Medical Leave Act ("FMLA") of 1993.

The County also follows County *Administrative Regulation 2.7* and the *Overtime Compensation and Premium Pay* (formerly known as Administrative Regulation 2.12) that dictate County policies and procedures for timekeeping, leave, overtime and compensatory time. The County created a *Timekeeper Manual* that outlines various time and attendance procedures necessary for effective timekeeping, which is maintained by Payroll. Payroll also maintains a detailed Payroll Week Processing Guide utilized for the payroll process.

## BACKGROUND, OBJECTIVES AND APPROACH (CONTINUED)

### Background (continued)

#### *Timekeeping and Other Statistical Data*

Employee and timekeeping statistics for the Department of Human Services as of July 2017 through September 2018 include:

#### DHS Employees by Position Type:

Position Type:	Number of Employees	
	July 2017	September 2018
Permanent Full-Time*	621	615
Permanent Part-Time**	72	70
Temporary Occasional†	<u>10</u>	<u>10</u>
<b>Total:</b>	<b><u>703</u></b>	<b><u>695</u></b>

\*Employees working at least 30 hours a week, or 130 hours per month, on a permanent basis.

\*\*Employees working less than 30 hours a week, on a permanent basis.

†Employees hired to assist in meeting short-term demand at a position for a defined period of time.

#### Cumulative Hours of In-Scope DHS Groups:

Group:	Regular Hours	Overtime Hours (1.5x)*	Overtime Hours (1.0x)**	Telework Hours	Acting Pay Hours †
Public Health	361,063	441	0	4,057	480
Behavioral Healthcare	318,414	84	1,640	3,135	1,920
Child and Family Services	171,566	99	145	489	880
<b>Total:</b>	<b><u>851,043</u></b>	<b><u>624</u></b>	<b><u>1,785</u></b>	<b><u>7,681</u></b>	<b><u>3,280</u></b>

\*Hours worked in excess of 40 regular hours for Non-Exempt employees. These employees receive 1.5x their standard hourly rate.

\*\*Hours worked in excess of 40 regular hours for Exempt employees. These employees receive their standard hourly rate.

†Hours worked by employees who are required to “act” in an elevated role for another employee. A 10% premium is applied to these hours.

## BACKGROUND, OBJECTIVES AND APPROACH (CONTINUED)

### Objective and Approach

#### **Objective**

The objective of this internal audit was to evaluate and determine if the system of internal control over timekeeping was appropriately designed and operating effectively, within DHS, to adequately safeguard County assets.

The scope of the audit included timekeeping transactions from July 1, 2017 through September 5, 2018 for DHS.

#### **Approach**

Our approach to the audit execution consisted of the following phases:

##### Understanding and Documentation of the Process

During the first phase, we performed the following:

- Conducted interviews with the appropriate representatives to discuss the scope and objectives of the project, obtain preliminary data, and establish working arrangements;
- Obtained copies of financial information and other documents deemed necessary;
- Performed walkthroughs of applicable in-scope processes to validate our understanding;
- Reviewed the applicable County policies, laws, regulations and documentation; and
- Developed process maps, which are included in this report.

##### Evaluation of the Process and Controls Design and Testing of Operating Effectiveness

The purpose of this phase is to test compliance and internal controls. The audit period for transactional testing included timekeeping transactions from July 1, 2017 through September 5, 2018.

This phase also consisted of an evaluation of the design and testing of operating effectiveness. We performed walkthroughs and detailed testing, on a sample of sixty (60) time records, which occurred during the testing period.

Specific procedures performed included:

- Identified and assessed segregation of duties and user access controls for proper monitoring and appropriateness over timekeeping and employee Masterfile;
- Assessed the location and security of employee records;
- Verified that time and attendance information (overtime, leave, compensatory time, special pay etc.) agrees to appropriately approved and authorized supporting documentation. Determined that the records and documentation for timekeeping are sufficient to establish an audit trail for all transactions involving employees' time;
- Determined if payroll changes/adjustments (including changes/adjustments after time has been approved by the Supervisor) are appropriately supported, authorized and verified;
- Reviewed appropriateness of individual and overall time approval;
- Verified that hours paid agree to the supporting documentation (timesheets) are mathematically accurate and reasonable;

## BACKGROUND, OBJECTIVES AND APPROACH (CONTINUED)

### Objectives and Approach (continued)

#### Approach (continued)

##### Evaluation of the Process and Controls Design and Testing of Operating Effectiveness (continued)

- Reviewed the performance and adequacy of post-payroll report monitoring and if performed by appropriate persons;
- Reviewed and assessed department policies and procedures for timekeeping and determined if they are complete, reflect current practice and are in compliance with the County's policies and procedures; and
- Determined if compensation is in accordance with the County's *Overtime Compensation and Premium Pay* (formerly known as Administrative Regulation 2.12) and *Administrative Regulation 2.7*.

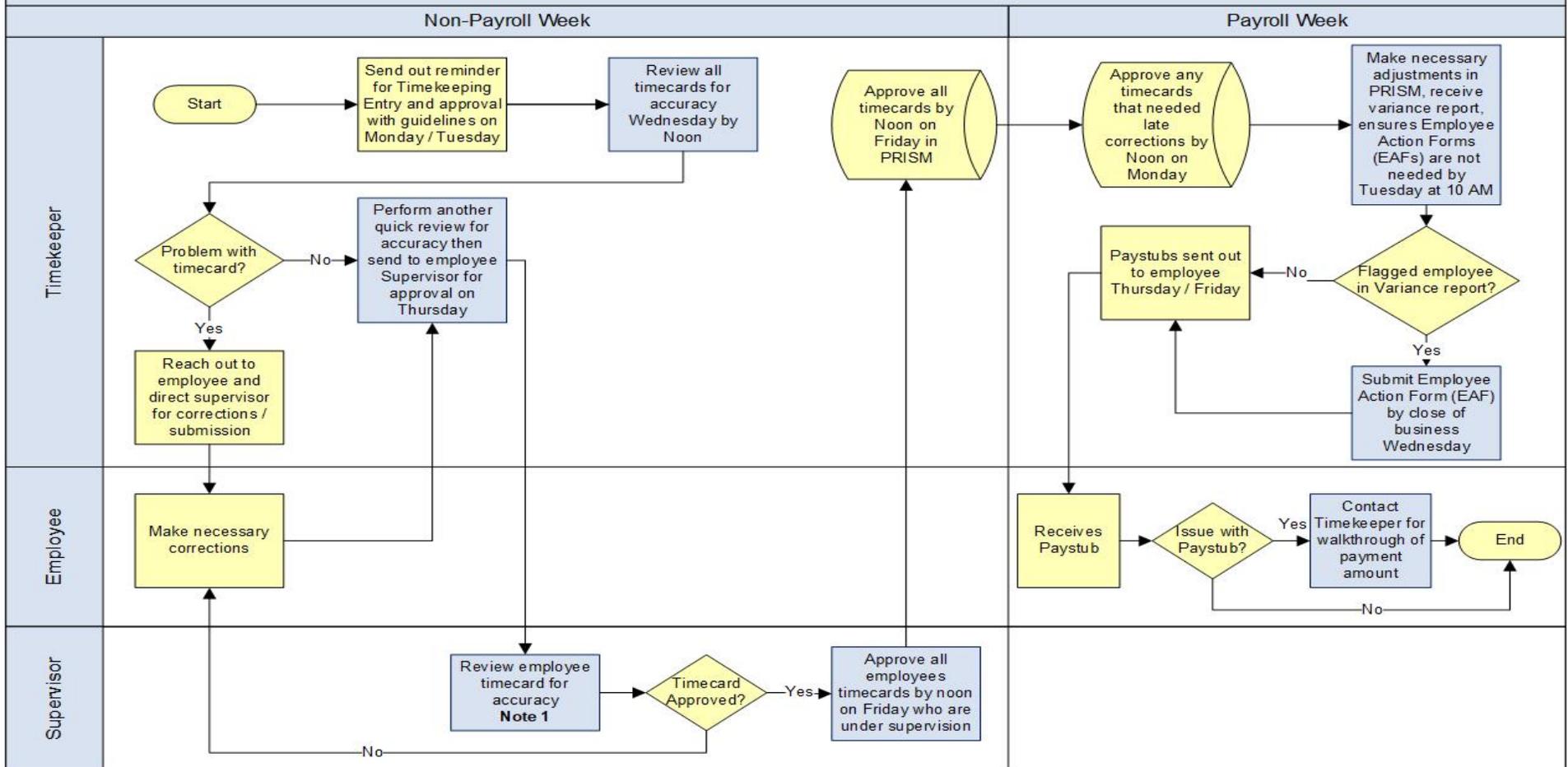
##### Reporting

At the conclusion of this audit, we vetted the facts of this internal audit with DHS. The draft report was submitted to the DHS and the Department of Management and Finance (“DMF”) for review. An exit meeting was held with the DHS and DMF to formally review and discuss the draft report and modify accordingly. Management’s corrective action plan with estimated completion dates has been provided and included in the report.

Observation Risk Rating Definitions	
Rating	Explanation
Low	Observation presents a low risk (i.e., impact on financial statements, internal control environment, public perception / brand, or business operations) to the organization for the topic reviewed and / or is of low importance to business success / achievement of goals and internal control structure.
Moderate	Observation presents a moderate risk (i.e., impact on financial statements, internal control environment, public perception / brand, or business operations) to the organization for the topic reviewed and / or is of moderate importance to business success / achievement of goals and improve its internal control structure. Action should be in the near term.
High	Observation presents a high risk (i.e., impact on financial statements, internal control environment, public perception / brand, or business operations) to the organization for the topic reviewed and / or is of high importance to business success / achievement of goals and improve its internal control structure. Action should be taken immediately.

## PROCESS MAPS

### Arlington County – Department of Human Services



**Notes:**  
**Note 1:** Supervisors are required to maintain documentation supporting employee leave, compensation, or overtime requests when non-regular hours are performed in a given pay period.





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