

County of San Bernardino

**Auditor-Controller/Treasurer/Tax Collector
Internal Audits Section**

Arrowhead Regional Medical Center: Holiday Accrual Audit



Ensen Mason CPA, CFA

Auditor-Controller/Treasurer/Tax Collector

268 West Hospitality Lane
San Bernardino, CA 92415-0018
(909) 382-3183

Website: www.sbcounty.gov/atc

Fraud, Waste & Abuse Hotline: (800) 547-9540

Auditor-Controller/Treasurer/Tax Collector

Mission Statement

This office is committed to serving our customers by processing, safeguarding, and providing information regarding the finances and public records of the County. We perform these functions with integrity, independent judgment, and outstanding service. We are accurate, timely, courteous, innovative, and efficient because of our well-trained and accountable staff.

Audit Team



Denise Mejico
Chief Deputy Auditor

Menaka Burkitt
Internal Audits Manager

Rachel Ayala
Supervising Internal Auditor III

Steven Ems
Internal Auditor III

Melanie Cortez, CPA
Internal Auditor III

Melissa Perez
Accountant II



Arrowhead Regional Medical Center

Holiday Accrual Audit

Audit Report Letter	1
Executive Summary	3
Audit Background	4
Scope, Objective and Methodology	5
Audit Findings and Recommendations	6



Auditor-Controller/Treasurer/Tax Collector

Ensen Mason, MBA, CPA, CFA
Auditor-Controller/Treasurer/Tax Collector

Douglas R. Boyd, Sr., ESQ.
Assistant Auditor-Controller/Treasurer/Tax Collector

June 10, 2020

William L. Gilbert, Hospital Director
Arrowhead Regional Medical Center
400 N. Pepper Avenue
Colton, CA 92324-1819

SUBJECT: HOLIDAY ACCRUAL AUDIT

In compliance with Article V, Section 6, of the San Bernardino County Charter, we have completed an audit of Arrowhead Regional Medical Center's (ARMC) holiday payroll for the period of January 1, 2018 through December 31, 2018. The primary objective of the audit was to determine if hours were properly recorded by employees on fixed holidays. We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

We identified several procedures and practices that could be improved. We have listed these areas for improvement in the Audit Findings and Recommendations section of this report.

We sent a draft report to ARMC on April 29, 2020. ARMC's responses to our recommendations are included in this report.

We would like to express our appreciation to the personnel at Arrowhead Regional Medical Center who assisted and cooperated with us during this engagement.

Respectfully submitted,

Ensen Mason CPA, CFA

Auditor-Controller/Treasurer/Tax Collector
San Bernardino County

By:

Denise Mejico

Chief Deputy Auditor

Distribution of Audit Report:

Robert Lovingood, 1st District Supervisor
Janice Rutherford, 2nd District Supervisor
Dawn Rowe, 3rd District Supervisor
Curt Hagman, Chairman, 4th District Supervisor
Josie Gonzales, Vice Chair, 5th District Supervisor
Gary McBride, Chief Executive Officer
Grand Jury
Auditor-Controller Audit Committee

Date Report Distributed: June 10, 2020

EM:DLM:SWE:oac



Summary of Audit Results

The table below summarizes the audit findings and recommendations for this audit engagement. For further discussion, refer to the *Audit Findings and Recommendations* section of this report.

Finding No.	Findings and Recommendations	Page No.
1	<p>Hours were not properly recorded on holidays.</p> <p>We recommend management and supervisors review the payroll guidelines established in the appropriate MOU and communicate these guidelines to employees. In addition, we recommend supervisors review time entries on holidays and the time recording codes entered for those pay periods more closely. We also recommend Arrowhead Regional Medical Center (ARMC) coordinate with the Human Resources Department to determine how to make the necessary adjustments to employees' pay and leave balances.</p>	6
2	<p>Time recorded exceeded the daily hours allowed.</p> <p>We recommend management and supervisors review MOU guidelines regarding dual position employees, standby compensation and on call compensation and communicate these guidelines to employees. We also recommend supervisors who approve time closely review their employees' time entries for employees with standby and on call compensation in addition to employees in dual positions. Lastly, we recommend ARMC review standby compensation, on call compensation and employees in dual positions for the entire year and coordinate with the Human Resources Department to determine how to make the necessary payroll adjustments.</p>	9
3	<p>Differentials did not agree to hours worked.</p> <p>We recommend management and supervisors review the MOU guidelines regarding differentials and communicate these guidelines to employees. In addition we recommend supervisors who approve time review their employees' differentials more closely. We also recommend ARMC review differential compensation for the entire year and coordinate with the Human Resources Department to determine how to make the necessary payroll adjustments.</p>	11



HOLIDAY ACCRUAL AUDIT

The Department

Arrowhead Regional Medical Center (ARMC) is a 456-bed university-affiliated teaching hospital licensed by the State of California's Department of Public Health and operated by the County of San Bernardino. The hospital, located on a 70-acre campus in Colton, California, is a designated Level II trauma center. ARMC operates a regional burn center, a primary stroke center, a behavioral health center located on the hospital campus, four primary care centers and provides more than 40 outpatient specialty care services. ARMC has approximately 3,400 employees.

Most of ARMC's employees use a time and labor management system, Automatic Data Processing (ADP), to track time and attendance using timeclocks, web, and mobile apps. Once employee time and attendance data is gathered using ADP, it is downloaded and interfaced with the County's Employee Management Compensation System (EMACS) to finalize the payroll process. The remaining ARMC employees enter their time and attendance data directly into EMACS.

Memorandum of Understanding

The County of San Bernardino recognizes several different organizations for separate employee classifications. Each of these organizations negotiate wages, hours and other terms and conditions of employment for the employees under their unit. The agreement of the County and each organization is written in a Memorandum of Understanding (MOU). The primary MOU used for this audit is the General MOU (2015-2019) and covers the following employee units: Administrative Services, Clerical, Craft, Labor & Trades, Management, Supervisory, Supervisory Nurses and Technical and Inspection. The County recognizes San Bernardino Public Employees Association (SBPEA) Teamsters Local 1932 as the exclusive employee organization for the employees in the stated units. Secondary MOUs used for this audit were the Nurses Unit and Per Diem Nurses Unit MOU and the Professional Unit MOU.



Scope and Objective

Our audit examined the time recording of all Arrowhead Regional Medical Center (ARMC) employees on fourteen holidays for the calendar year ending December 31, 2018. The objective of our audit was to determine if hours were properly recorded by employees on fixed holidays.

Methodology

In achieving the audit objective, the following evidence gathering and analysis techniques were used, including but not limited to:

- Reviewing the General Memorandum of Understanding (MOU) (2015-2019).
- Reviewing the Nurses Unit and Per Diem Nurses Unit MOU (2018-2021).
- Reviewing the Professional Unit MOU (2016-2019).
- Gaining an understanding of time recording codes and the various ways ARMC employees code their time.
- Analyzing payroll entries of all ARMC employees for fourteen holidays.



Finding 1: Hours were not properly recorded on holidays.

The General MOU 2015-2019 (General MOU), the Nurses Unit and Nurses Per Diem Unit MOU 2018-2021 (Nurses MOU) and the Professional MOU 2016-2019 (Professional MOU) state that when a fixed holiday falls within a vacation period or other period of paid leave, the employee should record holiday for that time. The Nurses MOU additionally states that in no instance shall an employee be permitted to use vacation, sick leave or other paid leave time on a fixed holiday that the employee is not scheduled to work in order to accrue the holiday leave.

The General MOU, Nurses MOU, and Professional MOU allow for employees to use vacation or other appropriate paid leave time on a fixed holiday up to an amount that, if combined with the employee's holiday accrual, would equal the total number of hours the employee would have been scheduled for that day; only if the holiday falls on a workday and the employee has an alternate work schedule or is in a part time position.

The General MOU and Nurses MOU state that whenever an employee is required to work on a fixed holiday or the fixed holiday falls on an employee's regularly scheduled day off, the employee shall accrue up to a total of 8 hours floating holiday time. Holiday straight time payment can be made in lieu of accrual. Employees scheduled to work on a holiday but who call off sick shall code holiday leave for that day.

Holiday time counts as hours worked toward overtime and service hours whereas holiday straight time is a payment which can be made to the employee in lieu of accruing holiday time.

The following conditions were identified when we reviewed 34,364 payroll entries:

- There were 246 instances of employees recording less hours than their holiday accrual on a holiday.
 - In 177 instances, this caused the employees to incorrectly accrue holiday time.
 - In the other 69 instances, the employees recorded holiday straight time in lieu of accruing holiday time. However, since holiday straight time does not count as hours worked, these employees may not have been properly paid for overtime.
- There were 198 instances of employees recording paid or unpaid leave instead of holiday.
 - In 183 instances, this caused the employees to incorrectly accrue holiday time.
 - In the other 15 instances, the employees incorrectly recorded holiday straight time and paid leaves instead of holiday, these employees received overpayments totaling approximately \$2,180.



- There were 22 instances of employees recording holiday straight time and holiday time equaling more than their holiday accrual. This occurred on holidays that were not worked and resulted in approximately \$3,420 of overpayments.
- There were 8 instances of employees recording holiday time in addition to regular hours and paid leaves in excess of their scheduled workday. This resulted in approximately \$700 of overpayments, potentially including overtime payments for which the respective employees were ineligible.

Upon retirement or separation from the County, employees are compensated for any unused accrued holiday time. In comparison, vacation hours have a maximum accumulation, which will vary, based on the length of the employee's service and their trade unit. Both administrative and annual leave do not accumulate beyond the 26th pay period each year. Although sick leave does not have a maximum accumulation, unused sick leave is not payable upon separation from the County except as a percentage at retirement. Recording vacation, administrative leave, annual leave or paid sick leave on a holiday would enable employees to continue accumulating all of their holiday hours. This would increase the value of the holiday leave payout when an employee separates from County employment.

An incomplete review by supervisors of employees' time on holidays can cause employees to be paid against guidelines established in the MOU. When payroll guidelines are not followed, employees may accrue additional holiday time and inappropriately increase their final payout upon separation from the County or receive overtime and overpayments for which they were not eligible. Alternately, employees may not have been properly paid for overtime for which they were eligible.

Recommendation:

We recommend management and supervisors review the payroll guidelines established in the appropriate MOU and communicate these guidelines to employees. In addition, we recommend supervisors review time entries on holidays and the time recording codes entered for those pay periods more closely. We also recommend Arrowhead Regional Medical Center (ARMC) coordinate with the Human Resources Department to determine how to make the necessary adjustments to employees' pay and leave balances.

Management's Response:

ARMC recognizes the need to adhere to the payroll guidelines established in the appropriate MOU and acknowledges that there have been deficiencies in holiday accrual controls.

Audit Findings and Recommendations



Root Cause:

- ARMC did not appropriately flow down payroll guidelines per appropriate MOU to timekeepers/managers/employees resulting in accurate payroll reporting.
- ARMC Supervisors/Timekeepers were not diligent in reviewing time entries on holidays and time reporting codes with respect to the appropriate MOU allowing inaccurate payroll reporting.
- As ARMC is a time file department who utilizes the time management software of ADP and then is interfaced with EMACS, there is no current audit report/mechanism to prevent errors in ADP.

In order to achieve compliance ARMC will address the issues captured in the findings by taking the following steps listed below.

Immediate Corrective Action:

- ARMC will develop an appropriate MOU payroll guideline for communication/awareness and distribute to each employee including ARMC supervisors/timekeepers.
- ARMC Supervisors/timekeepers will monitor and review all future holiday time entries and time reporting codes for appropriate MOU payroll guideline compliance.
- ARMC Fiscal Specialists will audit each employee's use of holiday individually when there is a fixed holiday in the pay period to adhere to the MOU and make corrections, if necessary.
- ARMC will perform training on the holiday leave accrual to the Managers/Supervisors, timekeepers and payroll staff.
- ARMC will review the exceptions and perform payroll adjustments, as needed.

Long Term Preventative Action:

- ARMC is currently in the RFP process of a time and attendance system. ARMC would like to place a systematic mechanism in place in order to comply with the appropriate MOU.

Auditor's Response:

The Department's planned actions will correct the deficiencies identified in the finding.



Finding 2: Time recorded exceeded the daily hours allowed.

The Nurses MOU states that when employees work concurrently in regular or per diem positions, they shall not schedule work in the per diem position during the time they are scheduled to work in the per diem or regular position, nor will employees use paid or unpaid leave time from their per diem or regular position in order to work in the per diem position.

The General MOU and Nurses MOU state that an employee shall not receive standby or on call compensation once an employee begins work. Therefore, in no circumstance should the number of hours for standby or on call combined with regular time equal more than 24 hours, per day. Being paid for standby or on call hours once an employee's shift starts results in an overpayment of payroll.

The following conditions were identified when we reviewed 34,364 payroll entries:

- There were 5 instances of an employee recording regular time, holiday time, and on call in a Supervisory Nurses position and a Per Diem Nurses position for the same hours. The employee's combined hours exceeded 24 hours in 1 day.
- There were 2 instances of employees recording 48 hours of on call or standby time in addition to 8 hours of holiday time in 1 day, for a total of 56 hours recorded in a 24 hour period.
- There were 2 instances of employees recording a combination of regular, holiday, vacation and on call or standby exceeding 24 hours in 1 day.

An incomplete supervisory review of time for employees with regular and per diem positions, standby and on call hours can result in employees being paid against the guidelines established in the MOU. When payroll guidelines are not followed, employees may receive overpayments. This could also accelerate employee's annual vacation allowances by incorrectly increasing their service hours.

Recommendation:

We recommend management and supervisors review MOU guidelines regarding dual position employees, standby compensation and on call compensation and communicate these guidelines to employees. We also recommend supervisors who approve time closely review their employees' time entries for employees with standby and on call compensation in addition to employees in dual positions. Lastly, we recommend ARMC review standby compensation, on call compensation and employees in dual positions for the entire year and coordinate with the Human Resources Department to determine how to make the necessary payroll adjustments.



Management's Response:

ARMC recognizes the need to adhere to the payroll guidelines established in the appropriate MOU and acknowledges that there have been deficiencies in holiday accrual controls.

Root Cause:

- ARMC Supervisors/Timekeepers were not diligent in reviewing time entries on holidays and time reporting codes with respect to appropriate MOU allowing inaccurate payroll reporting.
- As ARMC is a time file department who utilizes the time management software of ADP and then the file is interfaced with EMACS, there is no current audit report/mechanism to prevent errors in ADP.
- The file is transferred to EMACS, which then completes the background audit and provides to ARMC what is known as "kicks" (payroll errors) to make corrections to any staff that exceeded 24 hours. During a majority of 2018, there was not a Supervising Fiscal Specialist for the oversight and multiple vacancies in the department. Unfortunately, these issues were not addressed by ARMC in closing payroll.

In order to achieve compliance ARMC will address the issues captured in the findings by taking the following steps listed below.

Immediate Corrective Action:

- ARMC Supervisors/timekeepers will monitor and review all time entries and time reporting codes for appropriate MOU payroll guideline compliance.
- ARMC Fiscal Specialists will review the "kicks" (payroll errors) and make sure that each issue is addressed in closing payroll.
- ARMC will perform training on the daily hours to the Managers/Supervisors, timekeepers and payroll staff.
- ARMC will review the exceptions and perform payroll adjustments, as needed.

Long Term Preventative Action:

- ARMC is currently in the RFP process of a time and attendance system. ARMC would like to place a systematic mechanism in place in order to comply with the appropriate MOU.

Auditor's Response:

The Department's planned actions will correct the deficiencies identified in the finding.



Finding 3: Differentials did not agree to hours worked.

The Nurses MOU and General MOU state that employees eligible for an Intensive Care Differential shall be given that differential for all hours actually worked. The Nurses MOU states that employees eligible for the Specialty Unit Floating Differential shall be given that differential for all hours actually worked.

There were 9 instances in our review of 34,364 payroll entries of employees recording an Intensive Care Differential or Specialty Unity Floating Differential without matching hours worked which resulted in overpayments of approximately \$280.

An incomplete review of employees' differential compensation can allow employees to be paid against the guidelines established in the MOU. When guidelines are not followed, employees may receive unauthorized payments.

Recommendation:

We recommend management and supervisors review the MOU guidelines regarding differentials and communicate these guidelines to employees. In addition we recommend supervisors who approve time review their employees' differentials more closely. We also recommend ARMC review differential compensation for the entire year and coordinate with the Human Resources Department to determine how to make the necessary payroll adjustments.

Management's Response:

ARMC recognizes the need to adhere to the payroll guidelines established in the appropriate MOU and acknowledges that there have been deficiencies in time reporting.

Root Cause:

- ARMC did not appropriately flow down payroll guidelines per appropriate MOU to timekeepers/managers/employees resulting in accurate payroll reporting.
- ARMC Supervisors/Timekeepers were not diligent in reviewing time entries on holidays and time reporting codes with respect to appropriate MOU allowing inaccurate payroll reporting.
- As ARMC is a time file department who utilizes the time management software of ADP and then the file is interfaced with EMACS, there is only a Specialty Unit Floating differential query but no Intensive Care Unit query.

In order to achieve compliance ARMC will address the issues captured in the findings by taking the following steps listed below.



Immediate Corrective Action:

- ARMC will develop an appropriate MOU payroll guideline for communication/awareness and distribute to each employee including ARMC supervisors/timekeepers.
- ARMC Supervisors/timekeepers will monitor and review all time entries and time reporting for appropriate MOU payroll guideline compliance.
- ARMC Fiscal Specialists have been educated about the proper MOU guidelines with the Specialty Care Unit Floating and Intensive Care Differential to only be utilized when there are hours worked. A query for Intensive Care Differential will need to be added into the ADP module. However, in closing of payroll, prior to the interface with EMACS, Fiscal Specialists will utilize these queries to ensure each of these differentials are utilized for hours actually worked.
- ARMC will perform training on the differentials to the Managers/Supervisors, timekeepers and payroll staff.
- ARMC will review the exceptions and perform payroll adjustments, as needed.

Long Term Preventative Action:

- ARMC is currently in the RFP process of a time and attendance system. ARMC would like to place a systematic mechanism in place in order to comply with the appropriate MOU.

Auditor's Response:

The Department's actions and planned actions will correct the deficiencies identified in the finding.