

County of San Bernardino

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

Arrowhead Regional Medical Center: Timekeeping Audit



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December 15, 2017

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SUBJECT: Arrowhead Regional Medical Center Timekeeping Audit

In compliance with Article V, Section 6, of the San Bernardino County Charter and County Policy 05-20 entitled Internal Operational Auditing, we have completed an audit of the Arrowhead Regional Medical Center's (ARMC) payroll process for the period of August through December 2016. The primary objectives of the audit were to determine whether controls over ARMC's payroll process were in place and effective. 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 the Department on October 12, 2017 and discussed our observations with management on November 6, 2017. The Department's responses to our recommendations are included in this report.

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

Respectfully submitted,

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Auditor-Controller/Treasurer/Tax Collector
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By:



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Date Report Distributed: 12-15-17

OV:DLM:TAR:oac



Arrowhead Regional Medical Center: Timekeeping Audit

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Summary of Audit Results

Our findings and recommendations are provided to assist management in strengthening internal controls and procedures relating to ARMC's payroll process.

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	Monitoring controls over white slips need to be improved.	4
	We recommend supervisors and managers familiarize themselves with the ARMC's Time and Attendance Policy. In addition, we recommend supervisors and managers carefully review white slips to ensure they include the correct data, are complete and submitted timely.	
2	Employee authorization forms were not approved by management prior to telecommuting.	5
	We recommend supervisors and management ensure that all telecommuting forms are completed and approved for each employee prior to telecommuting. We also recommend that the Department keep an ongoing list of employees who telecommute.	



Background

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 including three family health centers, and provides more than 40 outpatient specialty care services.

ARMC currently uses a time and labor management system by Automatic Data Processing (ADP) to track time and attendance via clocks, web, phone and mobile apps. Employee clock in/out times are tracked by using badge readers strategically placed by employee work areas. Once all employee time and attendance data is gathered using ADP, ARMC payroll staff and management review all employee time and attendance data for accuracy. If an employee did not clock in/out correctly using the badge readers, employees must fill out an ARMC Time System Overtime or Correction Slip, commonly referred to as a "White Slip". Once all information is reviewed by management and designated payroll staff, the ADP time and attendance data is downloaded and interfaced with the County's Employee Management Compensation System (EMACS) to finalize the payroll process.

ARMC also participates in the County's Telecommuting Program which is an alternative work arrangement available to qualifying County employees. Management will establish a work arrangement with their qualifying employees. The arrangement is not permanent and may be terminated for any reason. Telecommuting is working from a remote workplace, such as one's home or satellite office, rather than commuting to a designated worksite.



Scope and Objective

Our audit examined the controls over ARMC's payroll process for the period of August 1, 2016 through December 31, 2016.

The objective of our audit was to determine whether controls over ARMC's payroll process are in place and effective.

Methodology

In achieving the audit objective, the following audit procedures were performed, including but not limited to:

- Interviews of ARMC staff
- Walk-through of activity
- Review of policies and procedures
- Examination of original source documents



Finding 1: Monitoring controls over white slips need to be improved.

According to ARMC's Policy 210.01 Issue 3 "Time and Attendance Policy," employees are responsible for accurately recording their time daily during each pay period by clocking in and out at a designated time clock. An employee forgetting their badge and, therefore, is unable to swipe in/out to record their work time, will be required to complete an ARMC Time System Overtime or Correction Slip "white slip." Department supervisors and managers are responsible for ensuring that their employees record their time on a daily basis and in a timely manner, and are responsible to review daily any "unusual" times recorded for the previous day; discuss those irregularities with the employee, and to obtain the correct data.

The following conditions were identified when we reviewed 224 white slips.

- 20 were not completely filled out or completed in a timely manner.
 - Eight did not include explanations for the correction requested. For example, missing their badge or forgetting to swipe in.
 - Five were missing supervisor signatures and/or dates.
 - Four were submitted one month after the date to be corrected.
 - Three did not have the appropriate boxes marked on the white slips.

Supervisors and managers were not properly reviewing and approving white slips. When white slips are not properly reviewed, the risk of employees receiving pay for unworked time or unearned differential compensation is increased.

Recommendation:

We recommend supervisors and managers familiarize themselves with the ARMC's Time and Attendance Policy. In addition, we recommend supervisors and managers carefully review white slips to ensure they include the correct data, are complete and submitted timely.

Management's Response:

ARMC will provide mandatory additional educational training to Managers, Supervisors, and Payroll Clerks, with 100% attendance, regarding the time and attendance policy and the correct completion of leave slips and white slips.

Auditor's Response:

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



Finding 2: Employee authorization forms were not approved by management prior to telecommuting.

According to the San Bernardino County Telecommuting Policy, employees must complete all telecommuting forms and training before beginning to telecommute. Also, supervisors must secure approval from upper management before offering an employee telecommuting privileges and forward all signed paperwork to appropriate authorities.

We reviewed five randomly selected telecommuting authorization forms, and noted that all five employees telecommuted prior to upper management's approval date. In addition, the Department did not have an established list of the current telecommuters.

Management is not aware that the appropriate telecommuting forms must be completed and approved by management before an employee begins telecommuting. Without the proper signed telecommuting forms, the department is at risk of having unauthorized employees who telecommute and improper use of County equipment.

Recommendation:

We recommend supervisors and management ensure that all telecommuting forms are completed and approved for each employee prior to telecommuting. We also recommend that the Department keep an ongoing list of employees who telecommute.

Management's Response:

ARMC corrected its telecommuting practice in compliance with County policy. Once the Manager approves an employee to telecommute, the form is sent to the Hospital Administrator for final approval, before an employee begins telecommuting. On a weekly basis, Managers must send a list of telecommuters to Administration. The Staff Analyst II forwards the list to Information Management (IM), which conducts random audits of the number of keystrokes and time logged into Citrix to ensure the employee was actively working. Each day, Managers review and sign time slips and work performance. The hours are then entered into ADP and reviewed by Human Resource department each pay period.

Auditor's Response:

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