

County of San Bernardino

Auditor-Controller/Treasurer/Tax Collector
Internal Audits Section

Information Services Department: Holiday Accrual Audit



Oscar Valdez
Auditor-Controller/Treasurer/Tax Collector

268 West Hospitality Lane
San Bernardino, CA 92415-0018
(909) 382-7000

Website: www.sbcounty.gov/atc

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

Auditor-Controller/Treasurer/Tax Collector

Mission Statement

The San Bernardino County Auditor-Controller's 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

Mary Barber, CPA

Internal Audits Manager

Menaka Burkitt

Supervising Internal Auditor III

Lena Crowley, CPA

Internal Auditor III

Steven Ems

Internal Auditor II

AUDITOR-CONTROLLER/ TREASURER/TAX COLLECTOR



- 268 West Hospitality Lane, Fourth Floor
San Bernardino, CA 92415-0018 • (909) 387-8322 • Fax (909) 890-4045
- 268 West Hospitality Lane, First Floor
San Bernardino, CA 92415-0360 • (909) 387-8308 • Fax (909) 890-5797

Matt Brown
Assistant Auditor-Controller/Treasurer/Tax Collector

John Johnson
Assistant Auditor-Controller/Treasurer/Tax Collector

March 16, 2017

Jennifer Hilber, Chief Information Officer

Information Services Department
670 E. Gilbert Street
San Bernardino, CA 92415-0915

SUBJECT: HOLIDAY ACCRUAL 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 holiday payroll for the period of July 1, 2015 through June 30, 2016. The 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 the Department and discussed our observations with management on January 31, 2017. The Department's response to our recommendations is included in this report.

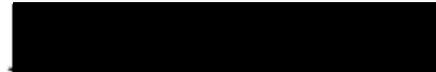
We would like to express our appreciation to the personnel at the Information Services Department who assisted and cooperated with us during this engagement.

Respectfully submitted,

Oscar Valdez

Auditor-Controller/Treasurer/Tax Collector
San Bernardino County

By:



Denise Mejico
Chief Deputy Auditor

Distribution of Audit Report:

Robert Lovingood, Chair, 1st District Supervisor
Janice Rutherford, 2nd District Supervisor
James Ramos, 3rd District Supervisor
Curt Hagman, Vice Chair, 4th District Supervisor
Josie Gonzales, 5th District Supervisor
Gregory C. Devereaux, Chief Executive Officer
Grand Jury
Auditor-Controller Audit Committee

Date Report Distributed: 03/16/17

OV:DLM:LNC



Information Services Department: Holiday Accrual Audit

Executive Summary	1
Audit Background	2
Scope, Objective, and Methodology	3
Audit Findings and Recommendations	4 - 7



Summary of Audit Results

Our findings and recommendations are provided to assist management in improving internal controls and procedures relating to the Department's payroll processes.

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 should be properly recorded on a holiday. <i>Thirteen out of the sixteen instances of improper coding occurred at the supervisory level.</i></p> <p>We recommend that management and supervisors should review the payroll guidelines established in the MOU. In addition, we recommend that supervisors should review time entries on a holiday and the time recording codes entered for that pay period more closely. We also recommend that the Department coordinate with the Human Resources Department to determine how to make the necessary adjustments to employees' leave balances.</p>	4
2	<p>On-call compensation and shift differentials should be closely reviewed. <i>None of the seven instances of improper coding occurred at the supervisory level.</i></p> <p>We recommend that management and supervisors review the MOU guidelines regarding on-call compensation and shift differentials. In addition, we recommend that supervisors who approve time should closely review their employees' time entries for on-call hours and shift differentials. We also recommend that the Department review on-call compensation and shift differentials for the entire fiscal year and coordinate with the Human Resources Department to determine how to make the necessary payroll adjustments.</p>	5



HOLIDAY ACCRUAL AUDIT

The Department

The Information Services Department (Department) mission is to provide contemporary, innovative, secure, and accessible technology in computer, media and communication services in the most cost effective manner, enabling departments and agencies to accomplish the mission of San Bernardino County. The Department is divided into the following divisions: Application Development, Core Solutions and Security, Multimedia Services, Technology Operations, Telecommunications Services, Enterprise/Infrastructure Management and Finance and Administration.

The Department's goals are to provide technology solutions that enable departments to better serve County residents, improve customer satisfaction by delivering products and services that exceed expectations and to improve telecommunication and data transmission capabilities to better respond to emergencies and disasters.

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 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 SBPEA Teamsters Local 1932 as the exclusive employee organization for the employees in the stated units.



Scope and Objectives

Our audit examined the time recording of all Information Service Department employees on thirteen holidays for the fiscal year ended June 30, 2016. The objective of our audit was to determine if hours were properly recorded by employees on fixed holidays.

Methodology

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

- Reviewing the General Memorandum of Understanding.
- Gaining an understanding of time reporting codes and the various ways Department employees code their time.
- Analyzing payroll entries of all Information Services Department employees for thirteen holidays.



Finding 1: Hours should be properly recorded on a holiday.

The Memorandum of Understanding (MOU) states that an employee shall receive holiday pay for any fixed holiday that falls within a vacation period. An employee on an alternate work schedule such as a 9/80 or 4/10 may code accrued vacation hours on a fixed holiday that falls on a workday up to an amount that if combined with his/her fixed holiday accrual would equal the total amount of hours the employee would have been scheduled for that day.

Unused holiday hours do not have an accumulation maximum. Upon retirement or separation from the County, employees are compensated for any unused accrued holiday time. On the contrary, vacation hours have a maximum accumulation, which depends on the length of the employee's service and their trade unit. Administrative and annual leave do not accumulate past the 26th pay period of each year. Recording vacation, administrative leave or annual leave on a holiday would enable employees to continue accumulating all of their holiday hours. This would increase the value of their payout for when the employee separates from County employment.

The following conditions were identified:

- There were sixteen instances on holidays of employees recording vacation, paid administrative leave, paid annual leave and paid miscellaneous leave rather than coding their hours to holiday. Thirteen out of these sixteen instances found occurred at the supervisory level. In all sixteen occurrences, their holiday hours were accrued.
- There was an additional instance of an employee using the wrong time recording code (TRC). The TRC code used was specifically created for employees for the December 2, 2015 San Bernardino terrorist attack. This employee used this code on December 31, 2015.

An incomplete review by supervisors of an employee's time on holidays can allow employees to not follow payroll guidelines established in the MOU. Not following the guidelines will enable employees to accrue additional holiday time and increase their payout upon retirement or termination from the County.

Recommendation:

We recommend that management and supervisors should review the payroll guidelines established in the MOU. In addition, we recommend that supervisors should review time entries on a holiday and the time recording codes entered for



that pay period more closely. We also recommend that the Department coordinate with the Human Resources Department to determine how to make the necessary adjustments to employees' leave balances.

Management's Response:

ISD management concurs with this Finding and the Recommendation of the Auditor. ISD management will take the following actions to mitigate this finding:

ISD will immediately inform all management of this finding and instruct them to discuss this issue to all EMAC's time approvers within their respective divisions. ISD will provide training for this finding and others for all management and supervisory staff in the near future.

ISD will have the Payroll Specialist review time cards during the approval process to mitigate this issue.

ISD will coordinate with the Human Resources Department to make any necessary adjustments to employees' leave balances.

Auditor's Response:

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

Finding 2: On-call compensation and shift differentials should be closely reviewed.

The Memorandum of Understanding (MOU) states that an employee shall not receive on-call compensation once an employee begins work. Therefore, in no circumstance should the number of hours for on-call pay and regular pay equal more than 24 hours. Being paid for on-call hours once an employee's shift starts results in an overpayment of payroll.

In addition, the MOU states that employees assigned to a continuous or regularly recurring evening or night shift tour of duty shall receive additional shift differential over and above the established base rates of pay. When hours worked overlap more than one shift differential period, employees shall receive



the applicable shift differential based on the majority of the shift worked, for the total number of hours during that shift.

The following conditions were identified:

- There were four instances in which on-call hours and regular hours equaled more than 24 hours.
- There were three instances in which an employee used two shift differentials on the same day.

An incomplete review of an employee's time by their supervisor for on-call hours and shift differentials can allow employees to not follow payroll guidelines established in the MOU. Not following the guidelines could allow employees to receive an overpayment.

Recommendation:

We recommend that management and supervisors review the MOU guidelines regarding on-call compensation and shift differentials. In addition, we recommend that supervisors who approve time should closely review their employees' time entries for on-call hours and shift differentials. We also recommend that the Department review on-call compensation and shift differentials for the entire fiscal year and coordinate with the Human Resources Department to determine how to make the necessary payroll adjustments.

Management's Response:

ISD management concurs with this Finding and the Recommendation of the Auditor.

ISD management has discussed and reviewed the MOU with the Division Chief in whose division this finding has occurred. The Division Chief will work with his supervisors to ensure correct time entry into EMACs for employee work hours that span two or more shifts. ISD management will include this issue in the training agenda for all managers and supervisors.

ISD will review shift differentials for the current fiscal year and coordinate with Human Resources Department to make any necessary payroll adjustments.



Auditor's Response:

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