

County of San Bernardino

Auditor-Controller/Treasurer/Tax Collector
Internal Audits Section

Information Services Department: Holiday Accrual Follow Up Audit



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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.

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SUBJECT: HOLIDAY ACCRUAL FOLLOW UP 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 a follow-up audit of holiday payroll for the period of April 1, 2017 through October 31, 2017. The objective of the audit was to determine whether recommendations from the Information Services Department's Holiday Accrual Audit issued on March 16, 2017 have been implemented. 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 have provided a status of the audit findings identified in the original audit report issued on March 16, 2017. Of the two recommendations from the original audit report, one has been partially implemented and one has not been implemented.

We sent a draft report to the Department on December 29, 2017. The Department's responses to the current status of our recommendations are 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: 

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Date Report Distributed: 2.28.18

OV:DLM:SWE:oac



Information Services Department: Holiday Accrual Follow Up Audit

Scope, Objective and Methodology	1
Prior Audit Findings, Recommendations and Current Status	2 - 5



Scope and Objective

Our audit examined the time recording of all Information Services Department employees on four holidays between April 1, 2017 and October 31, 2017.

The objective of this follow-up audit was to determine whether the Department implemented the recommendations contained in the prior audit report, *Holiday Accrual Audit*, issued on March 16, 2017.

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.
- Analyzing payroll entries of all Information Services Department for four holidays.



Prior 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.

Current Status: Not Implemented

There were eight instances on holidays of employees recording vacation or perfect attendance leave rather than coding their hours to holiday. One of these instances found occurred at the supervisory level. In all eight occurrences, their holiday hours were accrued. Also, the Department has not coordinated with the Human Resources Department to determine how to make the necessary adjustments to employees' leave balances for the fiscal year ended June 30, 2016.

Management's Response:

Information Services Department (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 provide training for this finding as well as Prior Finding 2 for all management and supervisory staff in the near future. ISD will distribute instructions to all ISD employees via email regarding this finding prior to the next holiday (2/19/18).

ISD will have the Payroll Specialist review time coded on a holiday during the time card approval process to mitigate this issue.

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

Auditor's Response:

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

Prior 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.

Current Status: Partially Implemented

During our testing of four holidays, we did not find any instances of on-call hours and regular hours exceeding 24 hours or using more than one shift differential in one day. However, the Department has not coordinated with the Human Resources Department to determine how to make the necessary adjustments to employees' leave balances for the fiscal year ended June 30, 2016.

Management's Response:

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

ISD will provide training for this Prior Finding for management and supervisory staff in the near future.



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

Auditor's Response:

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