Overtime Usage and Controls Audit (Interim Report - No. 1)

February 8, 2019

FORT WORTH®

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City of Fort Worth
Department of Internal Audit

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FORT WORTH

The Overtime Usage and Controls Audit is being conducted as part of the Department of Internal Audit's Fiscal Year 2018 Annual Audit Plan.

Due to the significance of findings/internal control weaknesses, we deemed early communication necessary. This report, therefore, communicates interim results.

Audit Objective

The objective of this audit is to assess whether internal controls over overtime usage are adequate, appropriate, and in compliance with City policies and procedures.

Audit Scope

Our audit included a review of overtime from January 1, 2017 through March 31, 2018. Activity beyond this period was reviewed as deemed necessary.

This report includes interim test results of payroll activity for general employees only. Testing of payroll activity for civil service employees will be included in a subsequent interim report(s) and/or within the final report.

Opportunities for Improvement

Mandatory timekeeper and supervisor training

Enhanced exception reporting

Summary of Interim Audit Results

As a part of our FY2018 Annual Audit Plan, the Department of Internal Audit is conducting an audit of Overtime Usage and Controls. This report is limited to general employee payroll exceptions that have been identified thus far, but are considered significant enough to communicate prior to the completion of the audit.

Key findings included in this report relate to erroneous timekeeping. In some instances, erroneous timekeeping reportedly resulted from staff's failure to replace scheduled hours with hours actually worked. In other instances, erroneous timekeeping was due to input errors (e.g., AM vs. PM). Based on our interim audit results, these payroll errors resulted in some under and overpayments.

- The City currently processes payroll on an exception basis. With exception-based reporting, work schedules are assigned within PeopleSoft to ensure that employees are paid, regardless of whether employees punch-in or punch-out.

  PeopleSoft will pay employees based on assigned schedules, *unless* the scheduled hours are zeroed out or if the timekeeper or employee replaces scheduled hours with hours worked. During our audit, we identified instances where employees were paid for reported hours plus scheduled hours for which the employees did not work. This error resulted in erroneous overtime payments.

- Internal Audit contacted six departments regarding employees who were paid for more than 24 consecutive (ranging from 24.5 to 138.5) hours. Based on feedback received from one department, the consecutive hours recorded for three employees were due to erroneous time entry (e.g., AM was entered instead of PM). As a result, these employees were overpaid. Two additional employees were overpaid and one was underpaid due to other time entry errors. Departments indicated that payments to the remaining employees were accurate because those employees were required to work extended hours for emergencies and special projects.

The Overtime Usage and Controls Audit remains in progress. Additional interim reports will be issued if we identify significant findings/internal control weaknesses that we feel should be communicated prior to the release of the final report. Each interim report finding will be included in the final report, along with management's responses.

We would like to thank each City department for their continued help and cooperation thus far.

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Objective

The objective of this audit is to assess whether internal controls over overtime usage are adequate, appropriate, and in compliance with City policies and procedures.

Scope

This interim audit included a review of overtime from January 1, 2017 through March 31, 2018 (calendar year 2017 through the first quarter of calendar year 2018). Audit tests of payroll activity beyond this period (e.g., prior to January 1, 2017, and subsequent to March 31, 2018) were completed as deemed necessary.

This report is limited to interim results of specific tests of payroll activity for general employees only. Additional testing of general employee and civil service payroll will be included in a subsequent interim report(s) and/or within the final audit report.

Methodology

To achieve the audit objectives, the Department of Internal Audit performed the following:

- reviewed City of Fort Worth (CFW) Personnel Rules and Regulations and the City's Timekeepers Handbook;
- reviewed applicable federal regulations;
- interviewed staff that are responsible for City payroll;
- extracted and analyzed PeopleSoft system data;
- obtained feedback from departments regarding specific time entry;
- compared PeopleSoft timekeeping entries (e.g., time punches and populated work schedules) to amounts paid; and,
- evaluated internal controls related to overtime usage.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Detailed Audit Findings

1. Employees were paid for scheduled hours that were not worked.

Based on our audit testing, we identified overpayments that resulted from employees being paid based on their scheduled hours, in addition to actual hours reported as being worked. As of February 7, 2019, approximately $54,000.00 is being questioned as overpayments to 74 employees across 10 general departments.

Employees have an assigned work schedule within PeopleSoft. If no hours are reported, the employee is paid his/her scheduled hours, regardless of whether the employee worked or did not work the scheduled hours.

Manual intervention is required to prevent payment for hours scheduled but not worked. Such manual intervention requires that scheduled hours be zeroed-out or replaced with punch-ins and punch-outs that reflect reported hours. The following exhibits depict an example of an erroneous payment for scheduled and reported hours worked.

City of Fort Worth 200 Texas St. Fort Worth, TX 76102	FORT WORTH	Pay Group:	100-General Employees	Bus Unit:	
		Pay Begin Dt:	09/16/2017	Advice #:	
		Pay End Dt:	09/29/2017	Advice Dt:	10/06/2017
		Pay Period:	2017_PP20		

		TAX DATA:	Federal	TX State
	Employee ID:	Marital Status:		
	Department:	Allowances:		
	Location:	Addl. Pct:		
	Job Title:	Addl. Amt:		
	Pay Rate: $15.05 Hourly			

HOURS AND EARNINGS

Description	Rate	Current Hrs/Units	Current Earnings	YTD Hrs/Units	YTD Earnings	Description	Current	YTD
Regular Earnings	15.05	80.00	1,204.00	994.75	14,970.99	Fed Withheld	398.57	1,792.54
Overtime 1.5 Earning	15.05	76.00	1,715.70	200.75	4,531.93	Fed MED/EE		
Holiday			0.00	16.00	240.80			
Training			0.00	27.25	410.11			
Total:			2,919.70		20,153.83	**Total:**	439.25	2,065.16

From 09/16/2017 to 09/29/2017

Add Comments	Day	Date	Reported Status	In	Out	In	Out	Punch Total	Time Reporting Code	Quantity	Sched Hrs	Taskgroup
💬	Sat	9/16	Submitted	6:00:00AM			6:00:00PM	12.00	REG - Regular		0.00	DEFAULT
💬	Sun	9/17	Submitted	6:00:00AM			6:00:00PM	12.00	REG - Regular		0.00	DEFAULT
💬	Mon	9/18	New								12.00	DEFAULT
💬	Tue	9/19	Submitted	12:00:00PM			6:00:00PM	6.00	REG - Regular		6.00	DEFAULT
💬	Wed	9/20	Submitted	6:00:00AM			6:00:00PM	12.00	REG - Regular		0.00	DEFAULT
💬	Thu	9/21	New								12.00	DEFAULT
💬	Fri	9/22	New								12.00	DEFAULT
💬	Sat	9/23	New								12.00	DEFAULT
💬	Sun	9/24	New								12.00	DEFAULT
💬	Mon	9/25	Submitted	6:00:00AM			6:00:00PM	12.00	REG - Regular		0.00	DEFAULT
💬	Tue	9/26	Submitted	6:00:00AM			12:00:00PM	6.00	REG - Regular		6.00	DEFAULT
💬	Wed	9/27	New								12.00	DEFAULT
💬	Thu	9/28	Submitted	6:00:00AM			6:00:00PM	12.00	REG - Regular		0.00	DEFAULT
💬	Fri	9/29	Submitted	6:00:00AM			6:00:00PM	12.00	REG - Regular		0.00	DEFAULT

	Date	(a) Punched/ Reported Hours Worked	(b) Scheduled Hours	(c) Paid Hours	(c) - (a) Hours Paid, But Not Punched/Reported As Worked
Pay Week One	9/16/2017	12	0	12	-
	9/17/2017	12	0	12	-
	9/18/2017	0	12	12	12
	9/19/2017	6	6	6	NOTE
	9/20/2017	12	0	12	-
	9/21/2017	0	12	12	12
	9/22/2017	0	12	12	12
	Total Hours	**42**	**42**	**78**	
	Total Overtime Hours	**2**	**2**	**38**	**36**
Pay Week Two	9/23/2017	0	12	12	12
	9/24/2017	0	12	12	12
	9/25/2017	12	0	12	-
	9/26/2017	6	6	6	NOTE
	9/27/2017	0	12	12	12
	9/28/2017	12	0	12	-
	9/29/2017	12	0	12	-
	Total Hours	**42**	**42**	**78**	
	Total Overtime Hours	**2**	**2**	**38**	**36**
	Total Overtime this Pay Period	**4**	**4**	**76**	**72**

Source: Auditor-Generated

NOTE: Employee was paid punched hours, which override scheduled hours.

Section 2.1 of the City's Personnel Rules and Regulations states that it is the policy of the CFW to accurately compensate employees in compliance with all applicable state and federal laws. Those rules and regulations further state that in order to ensure that employees are properly paid for all time worked, employees must correctly report all work time and review their pay advice to identify any errors. The employee or the designated employees (timekeepers) in each department are responsible for maintaining accurate records which reflect an employee's actual hours worked. The City's Timekeepers Handbook states that timesheets are to be approved in PeopleSoft by the employees' supervisor or assigned back up approver. Absences are automatically approved.

Recommendation 1A: If upon research by the department, it is determined that an employee was overpaid, we recommend that each applicable Department Head initiate the process to seek repayment from the employee. The City Attorney's Office should be consulted if repayments are due from individuals who have since terminated employment with the City of Fort Worth.

Recommendation 1B: The City Manager should immediately require mandatory training for departmental timekeepers and supervisors.

Next Steps

The Department of Internal Audit will continue to provide questionable payroll entries to user departments for feedback. As our audit testing continues, total overpayments and repayments-to-date will be articulated within the final audit report, along with our audit recommendations and management's responses.

2. Six employees were paid incorrectly due to erroneous time entry.

We identified employees who were paid for more than 24 consecutive hours during FY2017 and FY2018. As noted in the following table, Department Heads and/or their designees indicated that employees who worked 24 or more consecutive hours did so because of emergencies, special events and/or overnight City-sponsored programs. Employees deployed to assist with Hurricane Harvey efforts may not have actually worked the total number of hours in which they were paid. However, they were paid from portal-to-portal (i.e., from the time they were deployed until the time they returned from deployment) because their assignments were considered "all-hazard". It should be noted that payroll costs related to Hurricane Harvey are to be fully reimbursed to the City. The Public Events Department informed Internal Audit that their employee worked, and did not sleep within the 36.5 consecutive work hours.

Department	Number of Employees	Range of Consecutive Hours Paid	Reason/Rationale
Neighborhood Services	1	26	City-sponsored event involving an overnight stay
Public Events	1	36.5	Fort Worth Stock Show Preparation
Transportation & Public Works	2	26.0 to 33.5	On-Call work for Rain Event; Timekeeping Error
Park & Recreation	5	25.0 to 31.5	City-sponsored events involving an overnight stay
Property Management	2	57.0 to 138.5	Hurricane Harvey - Emergency Management
Water	14	24.5 to 42.5	Water main breaks/emergency pumping

Source: PeopleSoft; Departmental feedback

Of the 25 general employees who were paid for more than 24 consecutive hours, six Water Department employees were paid incorrectly.

Employee	Over/(Under) Payment	
	Hours	Amount
A	(0.75)	(28.13)
B	12	406.51
C	12	338.20
D	4.75	164.08
E	3	76.17
F	12	225.48
TOTALS:	**43**	**$1,182.31**

Source: Water Department

Based on feedback obtained from the Water Department:

- one (1) employee was inadvertently underpaid .75 overtime hours [Employee A];

- three (3) employees erroneously recorded their time as PM versus AM, or AM versus PM, resulting in a 12-hour overpayment for each employee. One of these three employees has since terminated employment with the City. [Employees B, C and F]; and,

- two (2) employees were erroneously paid for time away from work. For example, they were paid for the time between when they left work and when they were called back, resulting in a combined overpayment of 7.75 hours. [Employees D and E]

Section 2.9.3 of the City's Personnel Rules and Regulations states that it is the policy of the City to accurately compensate employees in compliance with all applicable state and federal laws. It further states that to ensure that employees are properly paid for all time worked, employees must correctly report all work time and review their pay advice to identify any errors. The Personnel Rules and Regulations also state that the City can collect any money from the employee's final pay or terminal leave payout that is owed to the City for overpayments.

Based on our review of PeopleSoft timesheets, there were no daily time punches (punch-in / punch-out) of 24 hours. There were, however, time punch totals up to 23.98 hours per day. While those punch totals were less than 24 hours per day, there was not necessarily a gap in the hours reported. For example, a punch-in time of 12:00:00AM with a punch-out time of 11:59:00PM totaled 23.98 hours within PeopleSoft. However, the employee's next punch-in time was 12:00:00AM, resulting in time entry of 24 consecutive hours. A subsequent punch-in time for the same employee for the next work day was recorded as 12:00:00AM with a punch-out time of 11:59:00PM, again totaling 23.98 hours with the employee being paid for another 24 hours, as noted in the following illustration. The employee, therefore, has time entry of 48 consecutive hours, without any time off. The Department of Internal Audit was unable to definitively determine whether employees had been instructed to clock out at the end of each day (regardless of when they stopped working) or whether daily punch-outs were a system requirement.

Sat	8/26	New						
Sun	8/27	New						
Mon	8/28	Submitted	6:00:00AM	11:00:00AM	12:00:00PM	3:00:00PM	8.00	REG - Regular
Tue	8/29	Submitted	6:00:00AM	11:00:00AM	12:00:00PM	3:00:00PM	8.00	REG - Regular
Wed	8/30	Submitted	5:58:00AM	11:00:00AM	12:00:00PM	2:58:00PM	8.00	REG - Regular
		Submitted	2:59:00PM			11:59:00PM	9.00	REG - Regular
Thu	8/31	Submitted	12:00:00AM			11:59:00PM	23.98	REG - Regular
Fri	9/1	Submitted	12:00:00AM			11:59:00PM	23.98	REG - Regular

Currently, PeopleSoft prompts an error message when punch-in and punch-out punches total 24 hours or more for time reported. In the preceding illustration, the employee's time was not flagged because the punches totaled 23.98 hours – or less than the 24 hours the system would have flagged. The example shows that the hours "crossed over" to the next consecutive work date. However, PeopleSoft did not flag the time entered since the clock out punches were recorded as 11:59:00PM instead of 12:00:00AM.

While no federal law prevents employers from requiring workers to complete shifts of 24 hours or more, the United States Department of Labor states that working a 24-hour shift can cause employees emotional, mental and physical stress. Per the Occupational Safety and Health Administration (OSHA) Education Center's website, no OSHA standard currently exists to regulate extended and unusual shifts in the workplace. The website further states that a work period of eight consecutive hours over five days with at least eight hours of rest in between shifts defines a standard shift. Any shift that goes beyond this standard is considered to be extended or unusual. The website states that longer shifts are often required in

emergency situations and when resources are scarce; and that such shifts usually come without warning and can take their toll on the health, safety, and productivity of employees.

The Department of Internal Audit concluded that enhanced exception reporting could help identify anomalies and erroneous time entry in a timelier manner.

Recommendation 2A: *The Human Resources Director, in conjunction with the Chief Financial Officer, should require payroll adjustments to correct overpayments (which totaled $984.96) to the four active employees noted within the finding.*

Recommendation 2B: *The Chief Financial Officer, in conjunction with the City Attorney, should submit a written refund request to the former employee who was overpaid a total of $225.48.*

Recommendation 2C: *The Water Department Director, in conjunction with the Chief Financial Officer, should require payroll adjustments to correct the payroll underpayment (totaling $28.13) for the employee noted within the finding.*

Recommendation 2D: *The Director of Human Resources should require the development of a routine exception report of employees who work in excess of 24 consecutive hours. That report should be made available to departments each pay period.*

Recommendation 2E: *The Director of Human Resources should require an exception report for gaps of less than "x" number of minutes between punch-out and punch-in times. (This exception report would identify instances similar to those noted in the illustration on page 6 of this report).*