



Franklin County

Internal Controls Over the Timekeeping System

Report of Examination

Period Covered:

January 1, 2013 — May 31, 2014

2014M-276



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

January 2015

Dear County Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and County Legislature governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of Franklin County, entitled Internal Controls Over the Timekeeping System. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

Franklin County (County) is located in northeastern New York and has a population of approximately 51,600. The County encompasses 19 towns and six villages.¹ The County is governed by the County Legislature (Legislature) which is comprised of seven members, one of whom also serves as the Chairman. The Chairman is the chief executive officer while the elected Treasurer is the chief fiscal officer. The County Manager is charged with the County's overall administrative operation, including timekeeping, under the direct supervision of the Legislature.

The County offers a variety of services to the community, including highway maintenance, snow removal, public safety through the Sheriff's department, public health and other general government support. The County's expenditures for 2013 were \$98 million of which \$18 million were for payroll. The County has 40 departments and employs approximately 570 employees. In April 2013, the County began implementing a biometric timekeeping system that uses fingerprint recognition and call-in² capabilities to record its employees' time and attendance.³ The timekeeping system automatically records and calculates each employee's time based on their time entries. It also provides for the modification of time records by allowing the County to grant selected employees access to those entries. County officials contacted our office to request an audit of the new timekeeping system.

Objective

The objective of our audit was to review the County's internal controls over the timekeeping system. Our audit addressed the following related question:

- Are internal controls over the County's timekeeping system adequate to ensure employees receive only the pay and leave benefits to which they are entitled?

Scope and Methodology

We examined controls over the County's timekeeping system from January 1, 2013 through May 31, 2014.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on

¹ Only a portion of the Village of Saranac Lake is located within the County.

² Employees who are granted call-in access may record their time by calling into the system and entering a unique code rather than using the fingerprint scanner.

³ The County implemented the system across various departments from April 2013 through May 2014.

such standards and the methodology used in performing this audit is included in Appendix C of this report.

**Comments of
County Officials and
Corrective Action**

The results of our audit and recommendations have been discussed with County officials and their comments, which appear in Appendix A, have been considered in preparing this report. Except as specified in Appendix A, County officials generally agreed with our recommendations and indicated they planned to take corrective action. Appendix B includes our comments on issues raised in the County's response letter.

The Legislature has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of the General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Legislature to make this plan available for public review in the County Clerk's office.

Timekeeping System

An important component of the payroll process is using an adequate timekeeping system to ensure that transactions are authorized, recorded and reported properly; employees are accurately paid for time worked and that work performed is monitored and reviewed routinely. Timekeeping policies, procedures and practices provide guidance to employees preparing and approving time records. Management oversight is essential to ensure that policies and procedures are adhered to. In addition, the ability to create or change time records must be controlled and monitored because these records are used to determine an employee's regular and overtime pay and accumulated leave balances.

The County's internal controls over the timekeeping system were not adequate to ensure employees received only the pay and leave-time benefits to which they were entitled. Although the Legislature has adopted policies and procedures related to the timekeeping system, we identified weaknesses in those policies. Furthermore, the Legislature has not established procedures to ensure that the Supervisors and department heads comply with the adopted policies. Enforcement of the policies and procedures is handled at the departmental level and has resulted in inconsistencies among the departments in the approval of overtime, modifying time records and the process for charging leave accruals.

System Controls

Best practices and sound internal controls call for the County to implement controls over access to the timekeeping system to prevent unauthorized or inappropriate modification of time records. The County should have procedures in place to ensure employees with user access are only granted rights to those functions necessary to perform their duties. These procedures should provide for the approval of employees' access rights, prevent employees from modifying their own time records and ensure modifications to other employees' time records are appropriate and supported.

Employee's regular work schedules were generally entered into the timekeeping system. County policy prohibits employees from clocking in more than 10 minutes before their scheduled start times or more than 10 minutes after their scheduled end time without supervisory approval. When employees clock in or out within the 10 minutes, the system automatically rounds employees time to their scheduled work day. However if employees clock in or out more than 10 minutes from their scheduled workday, their time records may need to be modified to accurately reflect their work hours.

In order to adjust time records, 91 County employees were granted access to the timekeeping system. However, the County did not have a process in place to ensure employees' access rights were appropriate. Furthermore, certain employees who were not in supervisory roles were granted access to make modifications and approve time records. County officials told us that making modifications to the time records (including adding time when an employee failed to clock in or out) can be time consuming and as a result, some department heads delegated the responsibility to other employees. Although Department heads generally documented their approval of each payroll by signing reports generated from the system, these reports did not provide information on the changes made to the original time entries.

We reviewed the access rights of the 91 employees who had access to the timekeeping system and found that 90 employees could make modifications to time records, including adding hours to an employee's time record regardless of whether that employee clocked in or out for that day. In addition, 65 of these employees had the ability to modify their own time records. During our audit period, more than 100,000 modifications were made to time records, of which 13,000, an average of 200 per applicable employee, were made by employees to their own time records.

Because County officials allowed employees to modify their own time records and add hours to time records without proper support and allowed non-supervisory employees to modify time records, the County lacks assurance that time records used to process payroll were accurate and appropriate. There is also no assurance that employees received only the pay to which they were entitled and that leave accruals were appropriately used (See Use of Timekeeping System).

Inconsistent Timekeeping Procedures

Good internal controls require the County to establish and implement policies and procedures which provide clear guidance to employees and supervisors over the timekeeping process. The County's employee handbook, local law and the two collective bargaining agreements all contain provisions to govern the timekeeping process. These documents address the biometric timekeeping system, overtime, compensatory time and the use of leave accruals. The biometric timekeeping system should be used to record time worked, manual adjustments to the hours recorded by the system should be unusual and the reasons for adjustments should be documented and approved by the Department Head and County Manager. We found the provisions contained in these documents were not applied consistently across the County's departments and that adjustments to the timekeeping system were pervasive and the level of documentation and approval varied significantly.

We selected 100 employees⁴ covered by collective bargaining agreements and 20 employees⁵ not covered by collective bargaining agreements (non-union employees) to determine whether employees were paid appropriately based on the timekeeping system and County policy. We also interviewed officials from the 19 departments included in our sample to gain an understanding of each department's timekeeping practices. Overall, we found that employees were paid at the appropriate rates or salaries. However, we noted inconsistencies with the use of the timekeeping system, overtime and compensatory time.

Use of Timekeeping System – The employee handbook requires all County employees to use the timekeeping system to track their time and attendance and to clock in whenever they are on duty and clock out when they go off duty, including lunch. However, of the 120 employees tested, we found several instances⁶ where employees did not consistently use the system as follows:

- Four employees, who did not use the timekeeping system to clock in or out, were paid \$4,154 for 158 hours that were manually entered into the system by the individuals responsible for modifying and approving their time records.
- Eight employees, who clocked in and out, had approximately 160 hours valued at \$4,220 added to their time records. For example, one employee clocked in and out for three of the 10 days in the pay period. However, for the other seven days, manual entries were made to reflect that the employee worked a total of 34.5 hours on those days. There was no documentation of why this employee did not clock in using the timekeeping system for seven of the 10 days in the pay period.
- Sixty-three employees did not clock out for their lunch period. Therefore, it was not possible to determine if the employees took a lunch break or whether the duration of their lunch period exceeded the allowed time. Certain departments deducted time for the employees' regularly scheduled lunch period while other departments allowed overtime to be paid when employees did not clock out for their lunch period.

⁴ We randomly selected four pay periods and 25 employees from each pay period who worked in departments which were using the timekeeping system.

⁵ We judgmentally selected five non-union employees from four pay periods who worked in departments which were using the timekeeping system.

⁶ Some employees had multiple exceptions and therefore those employees were counted more than once.

- Fifty-five employees did not clock both in and out one or more times during the pay period. The individual responsible for modifying their time records manually entered the time to make up for the missing entry. Although the system allows employees to enter notes explaining the reason for the time record modifications, employees did not always enter notes with enough detail to provide adequate justification and assurance that employees actually worked the hours that were recorded.

Overtime and Compensatory Time – County policies and collective bargaining agreements allow most employees⁷ to earn overtime or compensatory time.⁸ However they do not clearly define under which circumstances employees may earn overtime or compensatory time. According to the employee handbook, employees may not clock in more than 10 minutes early or clock out more than 10 minutes late without prior approval. However, the policy does not state whether this authorization should be verbal or written. Some departments told us that overtime is required to be pre-approved, while other departments do not have this requirement.

Of the 120 employees tested, 32 employees received 130 hours of overtime or compensatory time valued at \$3,972. For 16 of those employees, the approval of their overtime was not documented and department heads stated that they approved the overtime verbally.

Without clear guidance on the use and approval of overtime or compensatory time, the County lacks assurance that leave accruals are charged when employees arrive late or leave early and that it is not incurring unnecessary overtime or compensatory time costs. Additionally, because employees did not always clock in and out of the system and manual entries were created, the County lacks assurance that it is paying employees only for hours worked.

Recommendations

The Legislature should:

1. Ensure that all department heads enforce County timekeeping policies, collective bargaining agreements and the employee handbook.
2. Establish policies for ensuring system access is granted to employees appropriately and prohibit employees from modifying their own time records.

⁷ The local law establishing the terms of employment for non-union employees prohibits some non-union employees from earning overtime or compensatory time.

⁸ Employees may elect to be paid for their overtime or may accrue it as compensatory time.

3. Clarify policy provisions related to overtime or compensatory time.
4. Require any adjustments to the time worked be documented and approved by the Department head or County Manager.

Department heads should enforce the County's policies and procedures by:

5. Ensuring that all overtime is approved prior to the work being performed.
6. Ensuring that employees charge leave time when required.

APPENDIX A

RESPONSE FROM COUNTY OFFICIALS

The County officials' response to this audit can be found on the following pages.



FRANKLIN COUNTY LEGISLATURE

355 West Main Street, Suite 409
Malone, New York 12953

Telephone (518) 481-1641
Fax: (518) 481-1639

Office of the State Comptroller

[REDACTED]

Associate Examiner

Division of Local Government and School accountability

One Broad Street Plaza

Glens Falls, NY 12801

RE: Franklin County Report of Examination Response – 2014M-276

Dear [REDACTED]:

Enclosed please find Franklin County's response to Audit No. 2014M-276 as Attachment A. We appreciate the time your staff spent conducting this audit and hope you will find our response useful in constructing the final report. If you have any questions regarding this response or need clarification on any topics, please contact us.

Sincerely,

D.BILLY JONES, CHAIRMAN

FRANKLIN COUNTY LEGISLATURE

Attachment A.

Issue: Inconsistent Time Keeping Procedures

NYSCO Identified Gap: Inconsistencies with the use of Overtime and Compensatory Time

FCGR: The NYS Comptrollers Draft Report identifies allowing the employee to choose between Overtime and Comp time as an inconsistency in procedures. This process is defined contractually for all bargaining unit employees in the Union Contracts. We feel this finding is incorrectly classified as an inconsistency. We do agree that work rules should define the process allowing employees to work beyond their normal schedule. Department work rules will be modified to contain those terms. We do not agree that it is appropriate for the County Manager to document adjustments considering that Franklin County employs 550 staff, in 12 locations (some of which are 24 x 7 operations), spread out over the 1600 square miles of the County. Department Head approval is more realistic and more likely to be accurate.

See
Note 1
Page 12

See
Note 2
Page 12

NYSCO Identified Gap: Inconsistencies with the use of the time keeping system

FCGR: Franklin County Time and Attendance Policy (FCTAP) requires all employees to clock in and out at the beginning and end of the day respectively and at the beginning and end of their lunch break. The Chairman of the Board will hold a meeting with all Department Heads to reinforce this requirement. Future internal auditing will be conducted to verify compliance. Additionally, the Time Keeping System will be modified to automatically require an Audit Reason for any changes done within the system. FCTAP will be revised to also procedurally require a "Comment" along with the mandatory Audit Reason. We do not feel it is inappropriate for Department Heads to modify their own time as long as they comply with all other time keeping requirements. All modifications to time are audit trailed and can be reviewed for compliance.

NYSCO Identified Gap: The System Controls section of the Audit Report identifies 91 employees who can adjust time records as being excessive.

FCGR: Franklin County Government will reduce the number of employees who have the ability to adjust time records. A minimum of two employees per department are required to insure business continuity. Each department will evaluate the number of staff needed, who will be allowed to adjust time, with regard to business continuity. Policy will be revised to require all access requests for time adjustment to be submitted by email to Data Processing. The NYSCO needs to be aware that Franklin County has a significant number of small departments (1-4 staff) which will appear to bias this number toward being high. Each Department Head will submit a list of "Authorized Approvers" who will be allowed to modify timekeeping entries.

Abbreviations Used in this Report:

NYSCO = New York State Comptroller's Office

FCGR = Franklin County Government Response

APPENDIX B

OSC COMMENTS ON THE COUNTY'S RESPONSE

Note 1

The inconsistencies we noted were the circumstances under which employees were allowed to earn either overtime or compensatory time, not the ability to choose between those two options.

Note 2

As discussed at our exit conference, the County Manager should oversee the department heads in their duties of documenting, reviewing and approving modifications to time records, not be responsible for all County staff.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to review internal controls over the timekeeping system. We obtained an understanding of the County's timekeeping system by interviewing appropriate County officials, performing tests of the timekeeping system and reviewing pertinent documents.

To achieve our audit objective and obtain valid evidence, we performed the following audit procedures:

- We reviewed the County employee handbook, the two collective bargaining agreements and the resolution for non-bargaining unit employees and interviewed county officials to gain an understanding of the departmental timekeeping practices.
- We randomly selected four pay periods during our audit period and during which time any department was using the timekeeping system. For each pay period we randomly selected 25 employees and also selected a non-biased judgmental sample of five management positions, for a combined total of 120 employees.
- We obtained the electronic payroll register data from the County and a report of all time entries, both original and modified. We then compared the hours worked according to the time clock to the hours the employees were paid on the payroll register to determine if employees were only paid for hours worked.
- We reviewed the modifications made to the time entries to determine if department heads or supervisors were appropriately modifying time records and were consistent with County policies. We also reviewed the time entries to determine if employees were charging leave accruals appropriately.
- We reviewed the system's access controls to determine who has access to modify entries and who can clock in over the phone to evaluate the access controls to the timekeeping system.
- We reviewed payroll registers for overtime worked and compensatory time earned and compared it to the time entries to determine if it was earned appropriately. We also questioned department heads and supervisors to determine if the approval for overtime and compensatory time was verbal or documented in writing.
- We reviewed salary schedules, budgets and collective bargaining agreements to determine if payments are made at approved pay rates.

We conducted this performance audit in accordance with GAGAS. 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

APPENDIX D

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