Internal Audit Report – Timekeeping – Department of Environmental Services: Facilities Management Division

Report Date: January 30, 2018

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TRANSMITTAL LETTER

January 30, 2018

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Pursuant to the contract and related statement of work for Arlington County, Virginia ("the County"), we hereby present the internal audit of timekeeping for the Department of Environment Services ("DES") – Facilities Management Division ("Facilities Management"). Our report is organized in the following sections:

Executive Summary	This section includes a background summary of the function, the objectives and approach and a detailed description of the observations noted during this audit. Identified with each observation is the recommended action(s), and management's corrective action plan, including the responsible party and estimated completion date.
Background	This section provides an overview of the function within the process and pertinent operational control points and related compliance requirements.
Objectives and Approach	The internal audit objectives and focus are expanded upon in this section as well as a review of the various phases of our approach.
Process Maps	This section illustrates process maps, which depict data flow, key control points and any identified gaps.

As described in our objectives and procedures outlined on pages 16 and 17 of this report, the observations noted are based on our analysis of the processes, documents, records and information provided to us by the County. This internal audit focused on evaluating the soundness of internal control policies to safeguard assets and on reviewing compliance with County policies. We offer no assurances that schemes or fraudulent activities have not been, or are not currently being perpetrated by any person within the areas reviewed.

We would like to thank the staff and all those involved in assisting RSM US LLP with this internal audit of timekeeping for DES – Facilities Management.

Respectfully Submitted,

RSM US LLP

RSM US LLP

Internal Audit – Timekeeping
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EXECUTIVE SUMMARY

Background

Timekeeping is the process by which an employee's time and paid leave is recorded. Because of the unique ways an employee's time is recorded and, ultimately, how their pay is determined, timekeeping processes are decentralized and maintained at the department level. Each department has varying pay scales, benefit offerings, laws and regulations it must comply with and, as such, their policies and procedures can be significantly different from each other. Employees are subject to a variety of complex compensation structures, such as salaried, hourly, temporary, seasonal, and other compensation arrangements. Pay types include work time, sick leave, premiums, bonus, overtime, annual leave, holidays, shift, standby/callback pay, etc.

Specifically within the Department of Environmental Services – Facilities Management Division, there are three (3) methods in which employees enter their time depending on their position. A manual time clock process is utilized by the 15 custodial workers; an electronic punch card process is utilized by the 25 mechanics and other field employees and self-service time entry is utilized by the 27 administrative and accounting personnel.

The County has adopted *Administrative Regulation 2.7* and the *Overtime Compensation and Premium Pay* (formerly known as *Administrative Regulation 2.12*) to guide policies and procedures for timekeeping, leave, overtime and compensatory time, etc.

Objective and Scope

The primary objective of this internal audit was to evaluate and determine if the internal control structure over timekeeping is appropriately designed and operating effectively, within DES – Facilities Management, to adequately safeguard County assets. Procedures included:

- Assess segregation of duties and user access controls for proper monitoring and appropriateness over timekeeping and employee Masterfile;
- Assess the location and security of employee records;
- Verify that time and attendance information agrees to appropriately approved and authorized supporting documentation; including determination if supporting documentation allows for appropriate audit trail;
- Review appropriateness of individual and overall time approval;
- Determine if payroll changes are appropriately supported, authorized, and verified;
- Verify that hours paid agree to the supporting documentation; and
- Determine if compensation is in accordance with the County's Overtime Compensation and Premium Pay (formerly known as Administrative Regulation 2.12) and Administrative Regulation 2.7.

The scope of the internal audit included timekeeping transactions from June 1, 2016 through October 31, 2017 within Facilities Management.

Overall Summary / Highlights

The observations identified during our assessment are detailed within the pages that follow. We have assigned relative risk or value factors to each observation identified. Risk ratings are the evaluation of the severity of the concern and the potential impact on the operations of each item. There are many areas of risk to consider in determining the relative risk rating of an observation, including financial, operational, and/or compliance, as well as public perception or 'brand' risk.

Fieldwork was performed October 2017 through December 2017

Number of Observations by Risk Rating *(See page 17 for rating definitions)*			
	High	**Moderate**	**Low**
Internal Audit – Timekeeping DES Facilities Management	-	3	1

We would like to thank all Arlington County team members who assisted us throughout this internal audit.

EXECUTIVE SUMMARY (CONTINUED)

Detailed Observations

Risk Rating	Observation	Recommendation	Management's Response
Moderate	1. **Timesheet Accuracy, Verification and Authorization**		
	Timesheet Accuracy We tested the accuracy of supporting documentation to time entry in PRISM and the payroll register, and identified the following: • For an employee who records time under the Electronic Punch Method (as more fully described on page #11) our testing identified one (1) instance where the reported hours, and classification of such hours per the punch report, were different than its related PRISM timecard. For the period in question the punch report reflected 66.44 regular hours and 8 vacation hours; PRISM reflected 71.75 regular hours, .25 vacation hour, 14.5 overtime hours, 7 sick hours and 1 telework hour. With regard to the overtime hours, management advised us the hours were worked by the employee. As a result, the PRISM timecard was approved by the applicable supervisor. The employee was instructed by his supervisor to not punch-in when working the overtime hours. We inspected the associated Overtime and Compensatory Time Authorization forms and noted the supervisor and Bureau Chief did not sign the forms as required and one form reflected the wrong date. Management acknowledges they did not follow the proper process. With regard to the differences in vacation hours, sick leave hours and the telework hour, we inspected the supporting documentation and noted the documentation agreed with PRISM however the vacation time was not pre-approved as required. The vacation pre-approval exception is more fully described in Observation #2, Pre-Approval of Various Compensation Categories-County Level.	To further strengthen accountability of the employees and Supervisors for time reporting, we recommend DES perform the following: • For those employees that utilize punch reports or other external time tracking mechanisms, require a documented reconciliation between the punch report or other external time tracking mechanism to the PRISM timecard. The manual timesheets and other external timekeeping mechanisms act as supporting documentation to what has been entered into PRISM. The purpose is to identify errors or other irregularities that may have occurred during manual entry or upload into PRISM. The respective Timekeeper that performs the upload can perform this reconciliation. • For those employees that utilize punch reports, implement a schedule for punch report review and verification between Supervisor and employee. This review is already performed by Facilities Management, however a structured schedule is not maintained and followed. • For those employees who do not enter their own time in PRISM, implement a requirement for employees to certify that the hours worked and reported on their respective timesheets (manual timesheet or PRISM records) each pay period is accurate, without exception.	**Response:** We are planning to implement a pilot program for the manual time clock users in Custodial Services for the custodians to be converted to Self Service employees. Five Custodians will be in the pilot program. Training will need to be provided for these employees on how to use the Self Service System and what their responsibilities will be using this system. The pilot will run for a 6 month period to see if the new process of recording the custodians' time is more efficient than the current manual time clock process. We are going to reinforce the requirement to have both the FMB employees and FMB supervisor's signatures on the electronic time sheets. A review of this will be done by the timekeeper every two weeks when payroll is completed. Employees and supervisors who have not signed the documents will be reported by email to the Facilities Maintenance Section Chief. The example in the report was reviewed and there were two over-time slips in the payroll records that had been submitted by the employee accounting for the 14.5 O.T. worked during that pay period.

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EXECUTIVE SUMMARY (CONTINUED)

Detailed Observations (continued)

Risk Rating	Observation	Recommendation	Management's Response
Moderate	**1. Timesheet Accuracy, Verification and Authorization (continued)**		
	Timesheet Verification and Authorization Per the *Timekeeper Manual* utilized by all Arlington County departments, one of the time entry methods that can be utilized is as follows: *"Time is recorded on a hard copy form. The time is reviewed and approved by the Supervisor, who signs or initials the form. The approved hard copy form is then given to the timekeeper for entry into PRISM."* Only Supervisor approval is required per the *Timekeeper Manual*, however the adopted practice within Facilities Management is to require the Supervisor and employee to review and sign off on hard copy (punch report) forms when utilizing the electronic time card entry method. We tested a sample of twelve (12) employees over seven (7) periods and noted eighteen (18) instances in which either the Supervisor, the employee, or both did not sign-off on the punch report verifying the hours reflected were accurate. Specifically: • Two (2) of the eighteen (18) instances did not have Supervisor or employee approval, as required by the *Timekeeper Manual* (supervisor approval) and Facilities Management. Time was approved by the Supervisor's systematic review and approval of the time records in PRISM. • Three (3) of the eighteen (18) instances did not have Supervisor approval, as required by the *Timekeeper Manual* and Facilities Management. Time was approved by the Supervisor's systematic review and approval of the time records in PRISM.		The documents were not signed but reviewed by management. The reason for the O.T. was that the employee was working on year-end invoices and closeout for two Bureaus, FMB and FDC, and was also in an acting role for another financial position in the Facilities and Engineering Service Area. The employee was no longer in an acting position during the pay period in question as a new employee had been hired but required training for a few more months. To address the issue weekly reviews of Admin Staff O.T submittals will be reviewed for accuracy and signatures. Current Self Service employees will not be impacted by these changes. **Responsible Party:** FMB Supervisors, FMB Mechanics, Admin Staff, Time Keeper **Estimated Completion Date:** May 2018

EXECUTIVE SUMMARY (CONTINUED)

Detailed Observations (continued)

Risk Rating	Observation	Recommendation	Management's Response
Moderate	**1. Timesheet Accuracy, Verification and Authorization (continued)**		
	Timesheet Verification and Authorization (continued) • Thirteen (13) of the eighteen (18) instances had only Supervisor approval, which is still in compliance with the *Timekeeper Manual,* but goes against the adopted practice at Facilities Management. Effective documented supervisory review and approval of time is an important control that will help detect and minimize payroll errors, whether intentional or not. Documented sign off by respective employees to certify hours worked and reported increases accountability by the employee and reduces the risk of fraudulent time reporting.		

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EXECUTIVE SUMMARY (CONTINUED)

Detailed Observations (continued)

Risk Rating	Observation	Recommendation	Management's Response
Moderate	**2. Pre-Approval of Various Compensation Categories – County Level**		
	Per County policy, various aspects of compensation require pre-approval, but the varying policies do not identify how the pre-approval is required to be documented or addressed. We tested a sample of 12 employees over seven (7) pay periods and noted the following: **Overtime** The County's Overtime Compensation and Premium Pay Policy (previously known as AR 2.12) Section 6, states *"Requests for employees to work overtime must be approved in advance by the employee's supervisor except in the case of an emergency."* During our testing of overtime, nine (9) of the twelve (12) employees had overtime, with eleven (11) instances in which overtime was not appropriately pre-approved. Time was approved by the Supervisor's documented review and approval of time records, which is post-occurrence. Without proper controls in place to pre-approve overtime, the County could inadvertently pay employees for unnecessary overtime. **Vacation Leave** The County's Administrative Regulation 2.7, Chapter 9, §2.2 states *"An employee must request Vacation Leave in advance from his or her supervisor following departmental procedures. An employee must receive approval before taking leave."* During our testing of vacation leave, eleven (11) of the twelve (12) employees had vacation leave taken within our testing period, with twelve (12) instances in which vacation leave was not appropriately pre-approved. Time was approved by the Supervisor's documented review and approval of time records, which is post-occurrence.	We recommend that the County enhance the current policies and procedures related to the pre-approval of the various compensation categories to better document and provide more specific standardized requirements for compliance. Options for the County could include, but are not limited to: • Determine if documented supervisory-level review and approval on the timesheet (whether through PRISM or hard copy) is sufficient for the approval of the various leave requests. • Develop a workflow to document and standardize pre-approval requests (compensatory leave, vacation leave, overtime – including advance notification to the employee, call back etc) that require the employees and supervisors to complete, sign off and date. This workflow, including, documented completion review and approval, could be via manual form or via PRISM, if the system allows for this automation. Total non-regular (overtime, comp time, etc.) hours should be reviewed by the Department Director on a periodic basis. This review should be documented via sign-off by the Department Director.	**Response:** **a.** The County's administrative regulations require approval in advance for overtime, compensatory time used, and vacation time used. The auditor when looking for the approval, in several instances could not find written documentation of pre-approval. The administrative regulations do not specify that written approval is required and the intent of the regulation is to require that employees notify supervisors in some way. In most cases, leave is verbally approved and the supervisor is considered to have approved leave through the timecard approval process. It is our intent to allow verbal approval as well as written approval followed by time card approval. Our policies will be revised to document our current practices. **b.** Reported overtime is included in regular reports reviewed by financial staff in each agency who monitor ongoing expenditures through the financial modules of PRISM. This responsibility will be formalized and an employee designated in each department to review the balances. To facilitate this process, a new report will need to be developed along with a plan for implementation.

EXECUTIVE SUMMARY (CONTINUED)

Detailed Observations (continued)

Risk Rating	Observation	Recommendation	Management's Response
Moderate	2. **Pre-Approval of Various Compensation Categories – County Level (continued)**		
			Response (continued): HR Payroll and HR IT will work with the DTS PRISM team to incorporate this new request into the PRISM pipeline for prioritization. A more detailed plan will be developed by June 2018 to document the process including identifying reviewers and timeframes for review along with training on use of the report by agency staff. **c.** A recommendation was also made to develop a workflow to document and standardize pre-approval requests that requires the employees and supervisors to complete, sign off, and date via manual form or via PRISM if the system allows for this automation. Timekeepers regularly review leave, overtime, and compensatory time entries to ensure that it was approved. The County does have the capability through SharePoint, to establish a system for electronic requesting and approval of leave. Some departments already use this system. The system was demonstrated for Departmental HR Liaisons in November 2017 and they were encouraged to use it. **Responsible Party:** Payroll Manager, HR IT Staff, Departmental Financial Staff **Estimated Completion Date:** **a.** Administrative Regulation 2.7 is currently under revision and review. Upon final review and County Manager approval, this revision will be incorporated into our policy. **b.** July 1, 2018 **c.** Completed in November 2017

EXECUTIVE SUMMARY (CONTINUED)

Detailed Observations (continued)

Risk Rating	Observation	Recommendation	Management's Response
Moderate	**3. Post-Payroll Review – County Level**		
	After the period end payroll is processed, Payroll emails post-payroll reports (*High Gross Reports including all dollar variances, and hours over 80*) to department/division representatives who either save the reports on the shared drive or submit them to their respective Bureau Chief for review. We were unable to validate that the Bureau Chief or designee is performing a post payroll review, as the reviews are not documented. We also noted that this post payroll review is not a documented requirement. Without a complete review process, the County's payroll records are more likely to contain errors, which may not be properly detected in a timely manner.	We recommend that the County formally require the Department Director or Bureau Chief, or appropriate level designee (for example Budget Analyst or Administrative Officer), to perform a formal post payroll review by, at least, comparing aggregate totals on post payroll reports to the applicable department's internal timekeeping records to verify accurate and complete processing. Any discrepancies identified from this review should be reported back to Payroll in a timely manner, if there are no discrepancies, nothing needs to be reported back to Payroll. The post payroll review should be documented, so that there is a trail of the review and accountability. The documented review could include an electronic sign off, with the review date and saved to the shared drive. This will aid in the identification of payroll time entry errors, if any.	**Response:** Annual reports are already compiled showing overtime earning for each employee. Additionally, a report is available that provides information on overtime hours and compensatory time earned that can be shared on a regular basis with departments. An appropriate level designee and distribution schedule will be identified in each department to review these reports. Expenditure review including payroll expenses is already done in many departments through the financial reporting system. Financial Analysts in many of the departments already review data on overtime, look for trends, and notify Department Directors when something is noteworthy or unexpected. The process will be formalized, with specific measures (i.e. pay totals, number of employees paid) identified for review, and a system for documenting that review will be established. Assistance will be required from DTS to design and develop a report that can be quickly and easily reviewed within appropriate time frames in the pay week.

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EXECUTIVE SUMMARY (CONTINUED)

Detailed Observations (continued)

Risk Rating	Observation	Recommendation	Management's Response
Moderate	3. **Post-Payroll Review – County Level (continued)**		
			Response (continued): Note: part of the recommendation suggests requiring the department director or bureau chief of appropriate level designee to perform a formal post payroll review by at least comparing aggregate totals on post payroll reports to the applicable department's internal timekeeping records to verify accurate and complete processing. The majority of the workforce utilizes self-service timekeeping so there are no departmental records with which to compare. For those areas where there are records, we will evaluate how the departments with internal records such as timeclocks etc could reconcile with prism and with what frequency and whether it is on a full or sample basis. **Responsible Party:** Compensation Division Chief, HR IT Staff, Departmental Designee **Estimated Completion Date:** July 1, 2018

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EXECUTIVE SUMMARY (CONTINUED)

Detailed Observations (continued)

Risk Rating	Observation	Recommendation	Management's Response
Low	**4. Segregation of Duties and User Access**		
	The PRISM system is the primary timekeeping system utilized by the County where each pay period's time is entered and subsequently approved by each employee's Supervisor and/or Manager. Specific to Facilities Management, the Supervisory level maintains the 'ACGA Manager Self Service' responsibility within PRISM in order to approve time.

Per our review of all Facilities Management responsibilities within PRISM, we identified one employee maintaining the Manager responsibility while not currently assuming a Supervisory role. This employee previously acted in a Supervisory role within Facilities Management, but transitioned to a different role within the County. However, the employee's access within PRISM was never revoked after the transition.

If employees maintain improper Supervisor and/or Manager access within PRISM, the County is at risk for fraudulent submission and approval of time entries, and possible payment of time not actually worked. | We recommend that the improper PRISM access be revoked immediately for the employee identified.

As part of employee off-boarding (terminations and transitions), a review of system user access should always be performed and documented when completed.

Additionally, a periodic (at least semi-annual) review should be completed by the Facilities Management Division to validate that appropriate system access is utilized for all Facilities Management employees. | **Response:** The improper PRISM access that one employee had has been revoked. This employee was in an acting position at the time he was given access. Once he stopped acting the access was not removed. We have implemented a review of the PRISM access for both Purchasing rights and HR rights every 6 months. This review will be done by the Management Specialist in the Facilities Management Bureau (FMB). A PRISM report will be sent to the Management Specialist by the PRISM team with all FMB staff listed and what rights they have. Any issues related to this review will be given to the FMB Bureau Chief and Custodial Section Chief.

County-level Response: The acting status and associated PRISM responsibilities have been terminated. HR has reaffirmed that we will review PRISM responsibilities for employees who transition from acting supervisor status back to non-supervisory status. HR Liaisons and Timekeepers will be reminded that they should request to have those responsibilities end-dated at the same time they send in request to terminate acting status. |

EXECUTIVE SUMMARY (CONTINUED)

Detailed Observations (continued)

Risk Rating	Observation	Recommendation	Management's Response
Low	4. **Segregation of Duties and User Access (continued)**		
			Response (continued): Those responsibilities will be end-dated effective the same date that acting status is ended. A review was conducted of approvals done by the employee and there were none after his acting status should have ended. Additionally, while an employee may have the "ACGA Manager Self Service' responsibility, it only serves a purpose if the employee has staff assigned to them. They cannot approve time for an employee that doesn't formally report to them within PRISM. **Responsible Party:** Management Specialist. *County-level Responsible Party:* HR Staff who process employee actions. This has been implemented as of February 19 and retroactive review has been conducted of all employees whose acting supervisory status was terminated in the last 6 months. **Estimated Completion Date:** March 1, 2018. This will be ongoing moving forward. *County-level Completion Date:* Completed February 2018

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EXECUTIVE SUMMARY (CONTINUED)

Improvement Opportunity

Improvement Opportunity	Recommendation
Implement Electronic Time Card Process	
Custodial workers within Facilities Management currently utilize a manual time clock method to log their time [*reference background section page 7 for process detail*]. This process requires the use of a paper time card as well as a manual review of the time card by Supervisors. The risk of these paper time cards being lost or employees fraudulently recording their time is much higher than that of an electronic system. An electronic time card process is utilized by engineering, construction and mechanical roles within Facilities Management, in which employees use their fingerprint to punch in and log their time. The record of time worked is kept electronically and reviewed on a weekly basis.	It is recommended that the use of the manual time clock system should be eliminated and transition all custodial workers to the electronic time card process currently in use by others within the Department. Minimizing time entry methods will: • Help streamline timekeeping reviews; • Increase accountability to respective employee of hours worked and reported; • Reduce the amount of documentation provided to Supervisors and the Timekeepers; • Eliminate the risk of paper time cards being lost; and • Reduce the risk of fraudulent time entry via the manual time clock system.

BACKGROUND, OBJECTIVES AND APPROACH

Background

Overview

Timekeeping is the process by which an employee records time and paid leave, and is supported by the payroll process to validate that employees are appropriately compensated for the work they perform. Both functions are operated at a County-level, however each department has a unique process for recording employee time and, ultimately, how their pay is determined.

Depending on the department/division, time is entered into the County's integrated human resource and financial information system "PRISM" (Oracle's e-Business Suite) either directly by an employee, by a Timekeeper or by a file that is uploaded from a separate time and attendance application. Specific to Facilities Management, time entry/input is restricted to the employee directly, or by the Timekeeper. Each County employee's time and attendance record, regardless of his/her department/division's application, requires supervisory-level approval for each pay period. The supervisor's approval is documented either through the approval function in PRISM or on a manual timesheet.

Additionally, each department has varying pay scales, laws and regulations it must comply with and, as such, their policies and procedures can be significantly different from each other. Employees are subject to a variety of complex compensation structures, such as salaried, hourly, temporary, seasonal, and other compensation arrangements. Pay types include work time, sick leave, premiums, overtime, annual leave, holidays, shift, standby/callback pay, etc.

Facilities Management

Specifically within the Department of Environmental Services – Facilities Management Division there are three methods in which employees enter their time depending on their position: manual time clock entry, electronic punch card, and self-service. A manual time clock process is utilized by the 15 custodial workers; an electronic punch card process is utilized by the 25 mechanics and other field employees and self-service time entry, via PRISM, is utilized by the 27 administrative personnel which includes security, construction managers, and management and administrative positions.

Manual Time Clock
Custodial workers are the only Facilities Management employees that utilize the manual time clock method, which requires the use of paper punch cards. Each custodial employee is required to punch in on a daily basis at their work location (school, office building, etc.) and subsequently punch out for lunch, as well as, at the end of the day. A weekly review of time cards is performed by the Custodial Supervisor, and the actual hours worked or leave time is forwarded to the Custodial Section Chief to be inputted into a master Custodial excel time report. The information housed in this report is then input into PRISM, by the Timekeeper as the final time submission.

Electronic Punch Card
The electronic punch card entry method is utilized by various field workers such as mechanics and engineers. Similar to the manual time entry process, all employees are required to punch in daily, however the system utilized does not require the use of any paper punch cards. Alternatively, workers use their fingerprint or ID badge to confirm their identity and punch into the system. Supervisors and employees review punch reports on a weekly basis and provide them to the Timekeeper for entry into PRISM.

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BACKGROUND, OBJECTIVES AND APPROACH (CONTINUED)

Background (continued)

<u>Self-Service</u>
The third method utilized at Facilities Management is self-service time entry, which applies to management, administrative and accounting personnel. Each employee is responsible for recording their time directly into the PRISM system on a daily basis. Entries are reviewed by the Timekeeper and routed to Supervisors for final approval.

For all time entry methods, final approval of each timesheet by the Supervisor within PRISM locks down the time and initiates payroll processing.

Current Policies and Procedures
The Federal government has many laws that the County must comply with regarding timekeeping, hourly pay and labor related issues. They include, but are not limited to, the Fair Labor Standards Act ("FLSA") of 1938 and Family & Medical Leave Act ("FMLA") of 1993.

The County also follows County *Administrative Regulation 2.7* and the *Overtime Compensation and Premium Pay* (formerly known as Administrative Regulation 2.12) that dictate County policies and procedures for timekeeping, leave, overtime and compensatory time. The County created a *Timekeeper Manual* that outlines various time and attendance procedures necessary for effective timekeeping, which is maintained by Payroll. Payroll also maintains a detailed Payroll Week Processing Guide utilized for the payroll process.

Timekeeping and Other Statistical Data
Employee and timekeeping statistics for Facilities Management as of July 2016 and November 2017 include:

Facilities Management Employees by Position Type:

Position Type:	Number of Employees	
	July 2016	**November 2017**
Permanent Full-Time*	50	60
Limited Term Full-Time**	5	3
Overstrength Full-Time†	1	2
Temporary Occasional♦	<u>1</u>	<u>1</u>
Total:	**57**	**66**

*Employees working at least 30 hours a week, or 130 hours per month, on a permanent a basis.
**Employees working at least 30 hours a week, or 130 hours per month, for a defined period of time.
†Employees working in a full-time capacity in a temporary position until a more suitable position is found.
♦Employees hired to assist in meeting short-term demand at a position for a defined period of time.

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BACKGROUND, OBJECTIVES AND APPROACH (CONTINUED)

Background (continued)

Timekeeping and Other Statistical Data (continued)

Facilities Management Employees by Time Entry Method:

Time Entry Method:	Number of Employees		Instances of Exception*
	July 2016	**November 2017**	
Electronic Time Card	24	28	27
Manual Time Clock	12	7	1
Self-Service	21	32	15
Total:	**57**	**66**	**43**

*Exception to policies and procedures identified during transactional testing. Most instances of exception are identified as the same type of exception, over multiple pay periods. Reference 'Detailed Observations' section above for additional detail.

Additional timekeeping information regarding hours worked from June 1, 2016 through October 31, 2017 is as follows:

Facilities Management Hours by Functional Group:

Functional Group:	Regular Hours	Overtime (1.5x)	Overtime (1.0x)	Telework	Acting Pay
Administrative*	13,419	270	0	547	0
Custodial**	33,478	549	0	0	686
Facilities†	71,089	1969	0	250	0
Management♦	21,831	863	462	59	208
Total Hours:	**139,817**	**3651**	**462**	**856**	**894**

*Includes accounting, administrative, budget/finance and analyst roles.
**Includes custodial and warehouse roles.
†Includes engineering, construction, mechanical and security roles.
♦Includes trades manager, section manager and bureau chief roles.

BACKGROUND, OBJECTIVES AND APPROACH (CONTINUED)

Objective and Approach

Objective
The objective of this internal audit was to evaluate and determine if the system of internal control over timekeeping was appropriately designed and operating effectively, within DES – Facilities Management, to adequately safeguard County assets.

The scope of the audit included timekeeping transactions from July 1, 2016 through October 31, 2017 for DES Facilities Management.

Approach
Our approach to the audit execution consisted of the following phases:

Understanding and Documentation of the Process
During the first phase, we performed the following:

- Conducted interviews with the appropriate representatives to discuss the scope and objectives of the project, obtain preliminary data, and establish working arrangements;
- Obtained copies of financial information and other documents deemed necessary;
- Performed walkthroughs of applicable in-scope processes to validate our understanding;
- Reviewed the applicable County policies, laws, regulations and documentation; and
- Developed process maps, which are included in this report.

Evaluation of the Process and Controls Design and Testing of Operating Effectiveness
The purpose of this phase is to test compliance and internal controls. The audit period for transactional testing included timekeeping transactions from July 1, 2016 through October 31, 2017.

This phase also consisted of an evaluation of the design and testing of operating effectiveness. We performed walkthroughs and detailed testing, on a sample of twelve (12) employees over seven (7) pay periods, which occurred during the testing period.

Specific procedures performed included:
- Identified and assessed segregation of duties and user access controls for proper monitoring and appropriateness over timekeeping and employee Masterfile;
- Assessed the location and security of employee records;
- Verified that time and attendance information (overtime, leave, compensatory time, special pay etc.) agrees to appropriately approved and authorized supporting documentation. Determined that the records and documentation for timekeeping are sufficient to establish an audit trail for all transactions involving employees' time;
- Determined if payroll changes/adjustments (including changes/adjustments after time has been approved by the Supervisor) are appropriately supported, authorized and verified;
- Reviewed appropriateness of individual and overall time approval;
- Verified that hours paid agree to the supporting documentation (timesheets) are mathematically accurate and reasonable;

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BACKGROUND, OBJECTIVES AND APPROACH (CONTINUED)

Objectives and Approach (continued)

Approach (continued)

Evaluation of the Process and Controls Design and Testing of Operating Effectiveness (continued)
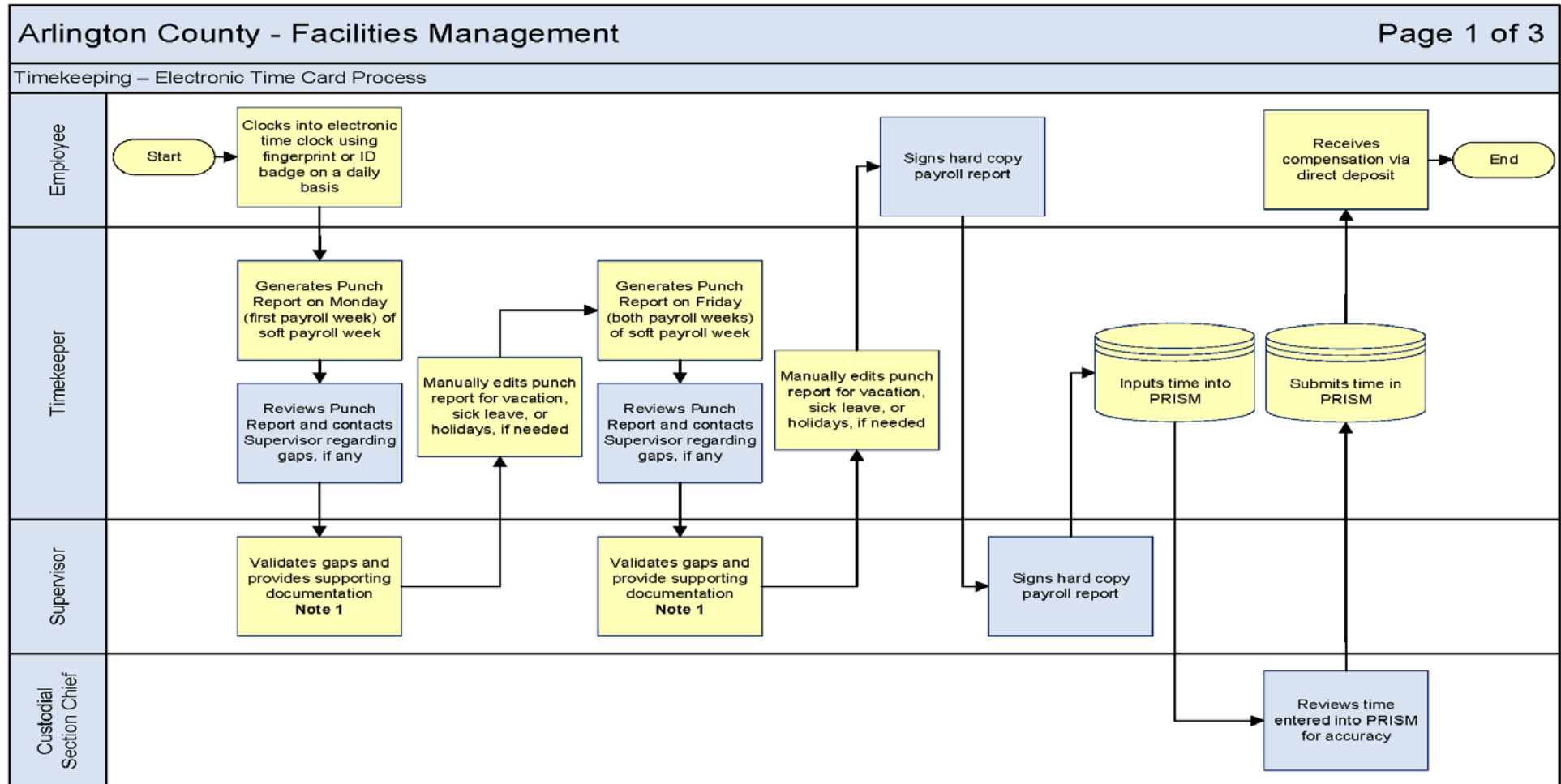- Reviewed the performance and adequacy of post-payroll report monitoring and if performed by appropriate persons;
- Reviewed and assessed each department's policies and procedures for timekeeping and determine if they are complete, reflect current practice and are in compliance with the County's policies and procedures; and
- Determined if compensation is in accordance with the County's *Overtime Compensation and Premium Pay* (formerly known as Administrative Regulation 2.12) and *Administrative Regulation 2.7*.

Reporting
At the conclusion of this audit, we vetted the facts of this internal audit with DES – Facilities Management. The draft report was submitted to DES – Facilities Management and DMF for review. An exit meeting was held with DES – Facilities Management and DMF to formally review and discuss the draft report and modify accordingly. Management's corrective action plan with estimated completion dates has been provided and included in the report.

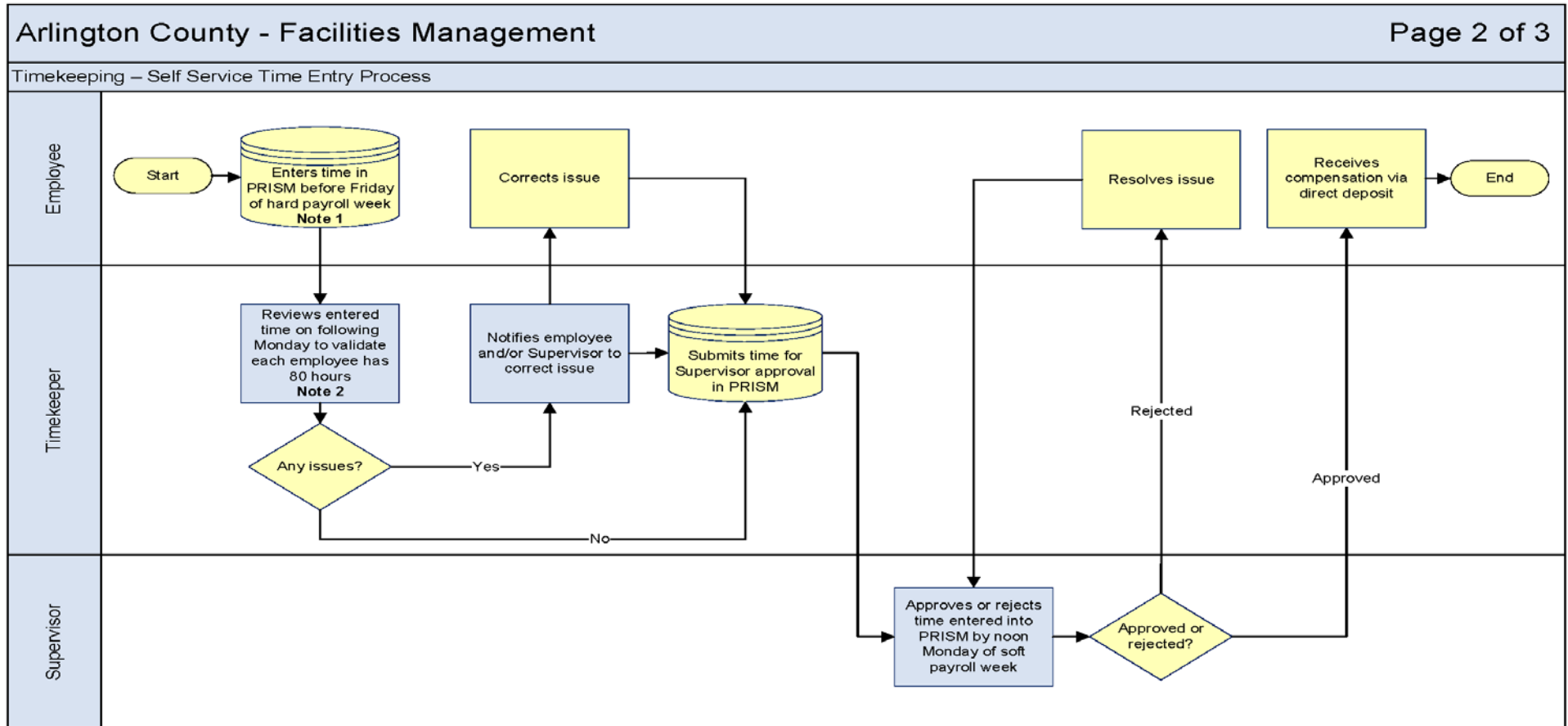| Observation Risk Rating Definitions	
Rating	**Explanation**
Low	Observation presents a low risk (i.e., impact on financial statements, internal control environment, public perception / brand, or business operations) to the organization for the topic reviewed and / or is of low importance to business success / achievement of goals and internal control structure.
Moderate	Observation presents a moderate risk (i.e., impact on financial statements, internal control environment, public perception / brand, or business operations) to the organization for the topic reviewed and / or is of moderate importance to business success / achievement of goals and improve its internal control structure. Action should be in the near term.
High	Observation presents a high risk (i.e., impact on financial statements, internal control environment, public perception / brand, or business operations) to the organization for the topic reviewed and / or is of high importance to business success / achievement of goals and improve its internal control structure. Action should be taken immediately.

Internal Audit – Timekeeping
Department of Environmental Services – Facilities Management Division
Report Date: January 30, 2018

ARLINGTON
VIRGINIA

PROCESS MAPS

Arlington County - Facilities Management
Page 1 of 3

Timekeeping – Electronic Time Card Process

Notes:
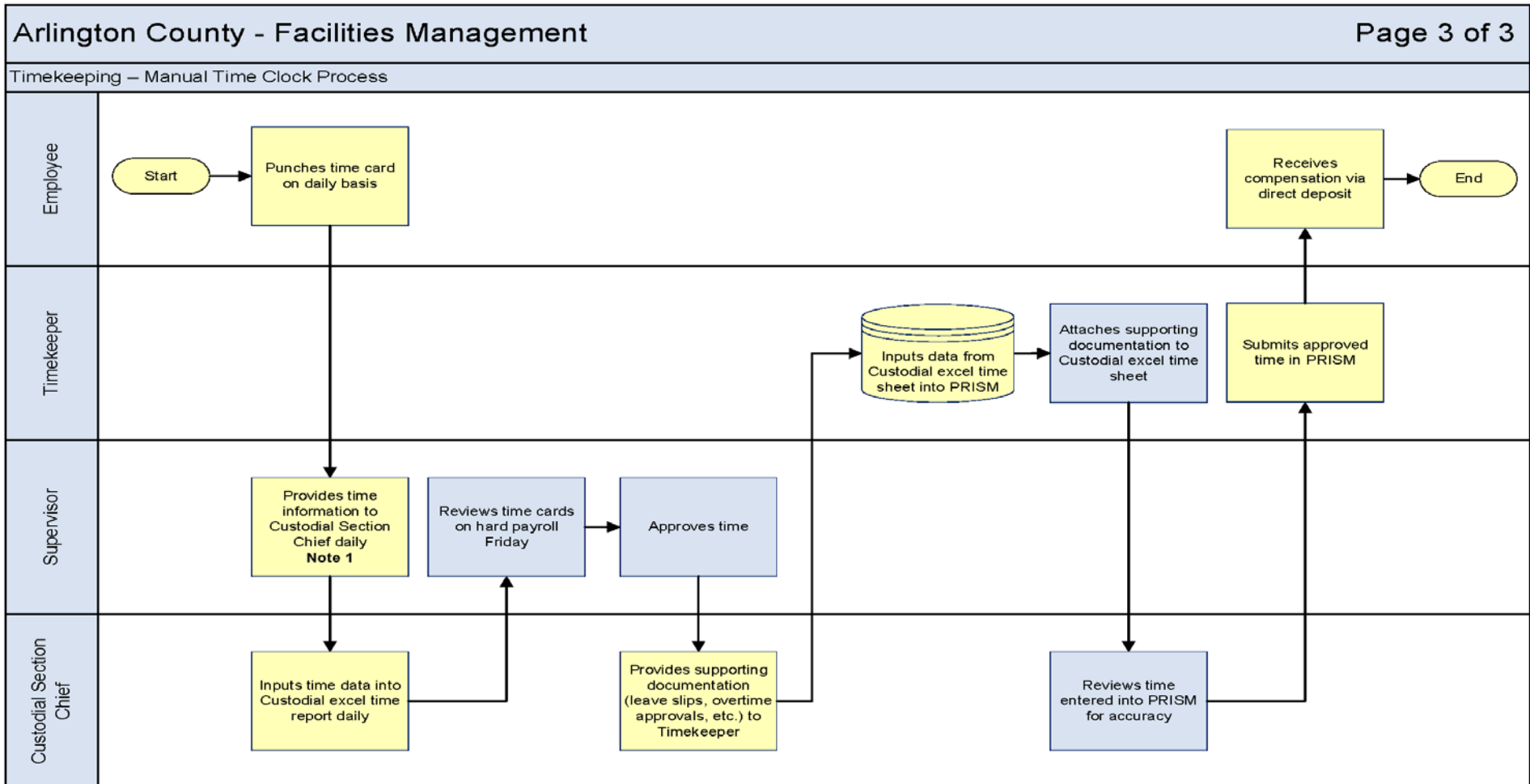**Note 1**: Supervisors will provide any missing supporting documentation, such as leave slips.

Legend:
Start/End | Off-page Connector | Decision | Process Step | Database

Color: Process | Control

ARLINGTON
VIRGINIA

PROCESS MAPS (CONTINUED)

Arlington County - Facilities Management — Page 2 of 3

Timekeeping – Self Service Time Entry Process

Employee

- Start
- Enters time in PRISM before Friday of hard payroll week — **Note 1**
- Corrects issue
- Resolves issue
- Receives compensation via direct deposit
- End

Timekeeper

- Reviews entered time on following Monday to validate each employee has 80 hours — **Note 2**
- Notifies employee and/or Supervisor to correct issue
- Submits time for Supervisor approval in PRISM
- Any issues? — Yes / No
- Rejected
- Approved

Supervisor

- Approves or rejects time entered into PRISM by noon Monday of soft payroll week
- Approved or rejected?

Notes:
Note 1: Any supporting documentation, such as leave slips, must be submitted to the employee's Supervisor for approval before Friday of hard payroll week.
Note 2: Timekeeper will also validate that holiday pay is accurate and all supporting documentation is provided.

Legend:
Start/End · Off-page Connector · Decision · Process Step · Database

Color:
Process · Control

PROCESS MAPS (CONTINUED)

Arlington County - Facilities Management — Page 3 of 3

Timekeeping – Manual Time Clock Process

Notes:
Note 1: If an employee calls in sick, is on vacation, or is working overtime, they must notify their Supervisor. The supporting documentation (leave slips, overtime requests, etc.) are then provided to the Custodial Section Chief to validate time worked.

Legend:
Start/End — Off-page Connector — Decision — Process Step — Database

Color: Process — Control