



AUDIT REPORT



DATE August 12, 2019

NO. 2019-010

CHARLOTTE COUNTY

KRONOS TIME AND ATTENDANCE SYSTEM

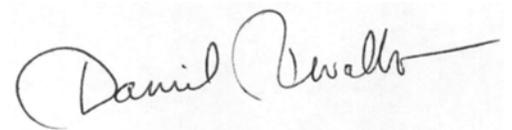
INTERNAL AUDIT DIVISION
ROGER D. EATON
CLERK OF THE CIRCUIT COURT AND COUNTY COMPTROLLER
CHARLOTTE COUNTY FLORIDA

Honorable Roger D. Eaton
Charlotte County Clerk of the Circuit Court and Comptroller
350 East Marion Avenue
Punta Gorda, Florida 33950

We have completed an audit of the Charlotte County Kronos Time and Attendance System. The purpose of this audit was to verify that adequate controls exist and are operating effectively over the time and attendance system.

The report details the current control environment and includes our comments and recommendations. Management responses have been included and immediately follow the audit report.

Respectfully submitted,

A handwritten signature in black ink that reads "Daniel Revallo". The signature is written in a cursive style with a long horizontal stroke at the end.

Daniel Revallo
Internal Audit Director

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EXECUTIVE SUMMARY

The Internal Audit Division performed audit procedures relative to the County's Kronos Time and Attendance System (Kronos System) – Post Implementation.

Controls noted as a part of audit procedures performed were generally considered adequate, and the recommendations identified provide for an opportunity to enhance current controls and/or monitoring procedures, and to help ensure overall compliance with approved County policies, applicable Florida Statutes and the Fair Labor Standards Act, etc.

Comments and recommendations identified are discussed in detail later in this report.

BACKGROUND

The Charlotte County Board of County Commissioners (BOCC) started implementing the Kronos System in early January 2017. The various County departments were introduced to the system over a 6-8 month span, approximately 2-3 departments at a time.

All County departments, except for three (3) departments, utilize the Kronos System as of the present day. Excluded departments consist of the MPO or Metropolitan Planning Organization, the Supervisor of Elections and the 20th Judicial Circuit Court Administration. The three (3) departments are processed separately, as they are considered independent, operating units, but nonetheless, part of BOCC payroll.

The Kronos System is a web-based application, used to summarize employee hours worked for each pay-period. The application provides managers with a systematic method for both monitoring and approving employee hours worked. The Kronos System is strictly a time management application, as no salary or hourly rate details are stored.

Employee hours worked each pay-period are summarized on electronic timecards. Employees can record and view hours worked, request time off and generate various reports (ie. actual and forecasted time accrual reports). Employees are setup either as a "pay from schedule" employee or as an "employee" required to record date/time stamps by means of a designated department time clock, assigned computer, manager's iPad, or access to a mobile application.

Managers can approve and adjust employee timecards, approve or deny employee requests for time off and perform time-monitoring activities, etc. Managers and/or the designated department IT Coordinator can also update employee work schedules within the Kronos System. Employee work schedules were initially developed by the Human Resources department upon implementation of the system.

Employees with work schedules that remain relatively constant (ie. generally exempt employees) can have their schedules carried forward each pay-period. These employees are referred to as "pay from schedule" employees. Such schedules may need to be adjusted on occasion to accurately record certain benefit hours (ie. sick, vacation days used). Employees with regularly changing work schedules (ie. generally non-exempt employees) may require regular updates.

The Kronos System automatically compares and reports any differences between assigned employee schedules and actual employee hours worked, which must be reviewed and approved, or corrected by the employee's manager, as necessary.

The system also automatically allocates employee hours worked into the correct pay type codes for regular versus overtime hours worked. The allocations are ultimately determined by the employee's status (exempt versus non-exempt) and current job position. In general, hours worked greater than 40 hours are allocated by the Kronos System as overtime hours, and thereby, subject to overtime pay.

Designated employees within the Payroll department review Kronos System reports prior to processing payroll to further identify and investigate any possible errors or corrections needed. Both departments are assigned "SuperUsers" who can add, alter, verify and/or approve employee time, as necessary, to avoid any payroll processing delays.

Employee hours and assigned pay codes are uploaded from the Kronos System, by means of a generated CSV file, to the BOCC's Eden Payroll Module, which computes each employees pay details. The upload occurs on the Thursday following the end of a bi-weekly pay-period, which ends on a Tuesday. Reconciliation procedures are performed by the Payroll department to verify a complete and accurate upload to the Eden Payroll Module.

AUDIT OBJECTIVES

1. To obtain an understanding of the key operating procedures and controls for the Kronos Time & Attendance System.
2. To review policies and procedures for granting and terminating Kronos System user access rights, and to determine if the current, established user rights are considered appropriate, monitored and timely revoked, etc.
3. To determine if employee hours recorded within the Kronos System are appropriate, authorized and allocated to the correct pay classifications and pay codes, etc.
4. To ensure current procedures and controls are adequate for transmitting employee pay hours from the Kronos System to Eden for payroll processing, and to ensure proper reconciliation procedures are performed between the Kronos System and Eden Payroll Module.
5. To ensure adequate safeguards and controls are in place to protect sensitive payroll and employee information.
6. To ensure compliance with applicable Florida Statutes and the Fair Labor Standards Act, etc.

AUDIT SCOPE AND METHODOLOGY

Audit procedures considered payroll activity between the period of October 1, 2017 and September 30, 2018, post implementation of the Kronos System. More specifically, procedures performed generally considered activity from two (2) County departments, selected at random. Departments selected include: 1) Facilities Management and 2) Public Works – Maintenance and Operations.

Five (5) employees were selected from each department selected using CaseWare IDEA, a data analysis software. The sample generated by the software included both exempt and non-exempt, full-time and part-time, and seasonal employees, etc.

Testing procedures performed considered two (2) specific pay-periods, selected at random. The pay periods considered were periods that ended on November 28, 2017 and May 29, 2018. Both pay periods included a variety of pay type codes such as holiday pay, sick leave, vacation leave, compensatory pay, stand-by pay, call-back pay, and overtime pay, etc.

Inquiries and procedures performed considered many aspects that included, but were not limited to, the authorization and location of employee time-entries and related edits/changes, the appropriateness of time-entries recorded, evidence of proper timecard approvals, allocation of employee hours worked and the calculated pays, as well as agreement between the Kronos System and Eden and key reports utilized, etc.

CaseWare IDEA was also used to generate random samples for both new and terminated user tests. Samples generated included employees from various County departments.

We also considered the adequacy of current controls over user access rights, function access profiles, remote access, payroll reports and sensitive employee information, etc. as well as consideration for compliance with County's related policies and procedures, applicable Florida Statutes, and the Fair Labor Standards Act, etc.

COMMENTS AND RECOMMENDATIONS

1. No "Scheduled Review Date" documented on Policy 3.16 Hours of Work.

Policy 3.16 Hours of Work does not contain a "Scheduled Review Date" for reference.

All other policies reviewed reflected "Annually" and through inquiry, it was determined that all Human Resource department policies are reviewed for changes/updates annually. The "Scheduled Review Date" appears to have been unintentionally omitted on this policy.

For consistency purposes, **we recommend** that Policy 3.16 Hours of Work be updated to reflect a "Scheduled Review Date" as appropriate. Best practices encourage policy and procedures be reviewed for update, at least annually.

2. No written policies or procedures for routine Kronos related Information Technology department functions performed.

No written policies or procedures are currently available for the Kronos related functions performed by the County's Information Technology department.

Without proper documentation and guidance, key functions and/or controls may not be performed as intended, thereby, increasing probable risk.

We recommend that policies and procedures be documented for all key Kronos System related functions performed by the Information Technology department, with input and guidance from both the Human Resources and Payroll departments.

3. Kronos timecard approvals were missing proper approval by the employee, manager or both.

We reviewed twenty (20) Kronos System employee timecards for documentation of proper approvals. Of the timecards reviewed, we noted three (3) instances where employees did not approve their timecards, one (1) instance where the manager did not approve an employee's timecard, and four (4) instances where both the employee and manager approvals were missing.

Sequential approval procedures exist within the Kronos System and should be followed to allow for proper documentation of approvals.

We recommend that managers timely alert employees if they have not yet approved their timecards. Both approvals should be present to ensure compliance with the FLSA.

4. Sick leave utilized for employee time input exceeded regularly scheduled hours.

Sick leave used for one (1) employee of 0.75 hours plus actual hours worked, exceeded the employee's daily scheduled hours by 0.25 hours. In addition, the employee did not follow his regularly scheduled hours, which is an exception to Policy 3.16 Hours of Work (see also 5.). The employee, in this example, recorded four (4) 8.25 hour days and one (1) 7.50 Hour day, for a total of 40.5 hours that pay week – On a normal week, that would produce unauthorized overtime pay at time plus one-half.

When an employee works a partial day, **we recommend** that the employee fill his or her day up to the employee's regularly scheduled hours. Employees should also be working their scheduled shifts whenever reasonably possible.

5. Auto Deduct 30 was not properly suspended. Time worked appears unpaid.

One (1) employee clocked in at 11AM and clocked out at 1PM for a call-back on a Sunday, which represents two (2) hours total; however, the employee was paid for 1.5 hours only. It appears that the Kronos System "auto-deduct 30" feature was not properly suspended. Subsequently, it appears that the employee was not paid for 0.50 hours actually worked.

There were no employee or manager approvals documented, which may explain why the "auto-deduct 30" remained undetected.

Prior to approval, **we recommend** that managers review employees' timecards and adjust/make corrections, as necessary. Likewise, standard approval procedures should be followed. Both the employee and the designated manager should approve the employee's timecard prior to further processing by the Payroll department.

6. Inconsistent methods for time Input for Budget and Administrative Services employees.

Some employees within the departments under Budget and Administrative Services are setup as "**pay from schedule**" employees, regardless of a non-exempt or exempt status. This is not consistent with other County departments.

This arrangement creates a potential for non-compliance with the Fair Labor Standards Act (FLSA) and/or incorrect input of overtime hours (ie. incorrect time or day / week) or hours worked. Discussion determined late employees are disciplined with "three strikes." Documentation of this discipline was requested, but not available from either Human Resources, or the department.

We recommend that only exempt employees be setup as "**pay from schedule**" employees, where practical, as their schedules rarely require change and overtime pay under the FLSA is not permitted. Non-exempts should report actual hours worked for proper overtime tracking purposes. The arrangement for the Budget and Administrative Services departments should be changed for consistency purposes with other County departments, and to help ensure that overtime hours are properly tracked.

7. Timecard edits by “Pay from Schedule” employees improperly enabled within Kronos application.

Pay from Schedule employees were discovered to have access to alter their timecards within the Kronos System. **Pay from Schedule** employee made his own overtime entry.

This creates a potential risk for inappropriate employee timecard edits and pay for hours not actually worked by an employee, especially if the manager or designee fails to properly review and approve the employee’s timecard.

As a key control, **we recommend** that only managers and superusers be permitted to edit employee timecards within the Kronos System. Settings should be reviewed and updated accordingly.

The Human Resources department updated the Kronos System on March 21, 2019.

8. Some Function Access Profile (FAP) Settings Need Update

Some Function Access Profile (FAP) settings within the Kronos System were not considered appropriate and need update. The majority identified related to “Location Data” under the various FAP types.

The FAP settings as noted create a potential for misuse of, improper and/or unintended user function access by employees.

We recommend that the function access profiles and settings identified be reviewed and updated accordingly. Furthermore, the function access profiles and settings should be reviewed after each software update.

The Human Resources department reviewed and updated accordingly on April 9, 2019.

CONCLUSION

Audit procedures performed by the Internal Audit Division identified opportunities to help improve and enhance current policies and procedures, as well as internal controls over the County’s Kronos Time and Attendance Program. Refer to the “Comments and Recommendations” section.

ACKNOWLEDGEMENT

We would like to thank the County’s Human Resources department and Information Technology department, as well as the Clerk of Court and Comptroller’s Payroll department, for their time and assistance in the completion of the audit.

Audit performed by:
Misti Payette
Internal Auditor
Charlotte County Clerk of Court & County Comptroller



MEMORANDUM

Date: July 2, 2019

To: Dan Revallo, Internal Audit Director, Charlotte County Clerk of Courts and Comptroller

From: Heather Bacus, Director of Human Resources

Subject: Responses to the Internal Audit review of the Kronos Time and Attendance System

Please find below the recommendation from your department and the response from the Board.

Item #1:

Recommend that Policy 3.16 Hours of Work be updated to reflect a "Scheduled Review Date" as appropriate. Best practices encourage policy and procedures be reviewed for update, at least annually.

Response: Human Resources has updated Policy 3.16 Hours of Work to be reviewed annually.

Item #3:

Recommend that managers timely alert employees if they have not yet approved their timecards. Both approvals should be present to ensure compliance with the FLSA.

Response: Human Resources will send an email to all managers/directors reminding them of the importance of signing approval on all employee timecards in Kronos.

Item #4:

Recommend that the employee fill his or her day up to the employee's regularly scheduled hours. Employees should also be working their scheduled shifts whenever reasonably possible.

Response: Human Resources will send an email to all managers/directors reminding them that employees should be working their regularly scheduled shifts whenever reasonably possible.

Item #5:

Recommend that managers review employees' timecards and adjust/make corrections, as necessary. Likewise, standard approval procedures should be followed. Both the employee and the designated manager should approve the employee's timecard prior to further processing by the Payroll department.

Response: Human Resources will send an email to all managers/directors reminding them to review employees' timecards and adjust/make corrections, as necessary. Timecard approval should be completed by both employee and manager prior to Payroll processing.

Item #7:

Recommend that only managers and superusers be permitted to edit employee timecards within the Kronos System. Settings should be reviewed and updated accordingly.

Response: A Kronos update defaulted settings. Human Resources has fixed the settings and will verify settings after each upgrade.

Item #8:

Recommend that the function access profiles and settings identified be reviewed and updated accordingly. Furthermore, the function access profiles and settings should be reviewed after each software update.

Response: A Kronos update defaulted settings. Human Resources has fixed the settings and will verify settings after each upgrade.



MEMORANDUM

Date: June 24, 2019

To: Dan Revallo, Internal Audit Director, Charlotte County Clerk of Courts and Comptroller

From: Ray Desjardins, Senior Division Manager, Information Technology

Subject: Responses to the Internal Audit review of the Kronos Time and Attendance System

Please find below the recommendation from your department and the response from the Board.

Item #2:

Recommend that policies and procedures be documented for all key Kronos System related functions performed by the Information Technology department, with input and guidance from both the Human Resources and Payroll departments.

Response: Information Technology is in the process of documenting all Kronos related functions performed by Information Technology and will coordinate with Human Resources and Payroll in developing policies and procedures for those functions.



MEMORANDUM

Date: June 24, 2019

To: Dan Revallo, Internal Audit Director, Charlotte County Clerk of Courts and Comptroller

From: Gordon Burger, Director of Budget & Admin Services

Subject: Responses to the Internal Audit review of the Kronos Time and Attendance System

Please find below the recommendation from your department and the response from the Board.

Item #6:

Recommend that only exempt employees be setup as "pay from schedule" employees, where practical, as their schedules rarely require change and overtime pay under the FLSA is not permitted. Non-exempts should report actual hours worked for proper overtime tracking purposes. The arrangement for the Budget and Administrative Services departments should be changed for consistency purposes with other County departments, and to help ensure that overtime hours are properly tracked.

Response: The practice of "pay from schedule" for non-exempt employees is not across all of Budget and Admin Services, just divisions that have an office environment with exempt and non-exempt staff working side by side. This would be a serious morale issue to have some staff "punch a time clock" while others do not. We see this as a management decision. Managers and staff are very aware of standards and the consequences of not following those standards. Should an employee attempt to violate those standards they are dealt with through the County's progressive disciplinary policy.

