

Timecard Approvals

Performance Audit



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I. Introduction and Scope

The various inputs that often go into the decision for a County audit by this office include firstly citizen concern, Commission direction, current risk environment, and discretion as an elected official. Another role of this office, however, is to offer a whistleblower hotline or contact for County employees and citizens to report concerning activity within County government. Such a hotline is a standard and recommended protocol for effective internal auditing in order to detect plausible issues affecting best practices at the local government level.

Accordingly, on March 3rd, 2022, this office received an anonymous whistleblower complaint. The complaint alleged falsified payroll timecards for logged work, non-exempt (overtime eligible) hours and approval by supervisors with supposed knowledge of the potential fraud. After validating the possible problem, the Auditor's office immediately forwarded the complaint to law enforcement for investigation. Consequently, the identities of all employees and specific departments involved will remain confidential in this entire report. To disclose them would impair the investigation's results.

Nevertheless, regardless of the investigation's outcome, the complaint brings to light larger questions surrounding the internal controls over timecard approvals—so that is this audit's purpose. This is because the complaint cited a County employee working at multiple jobs. The hours worked including overnight rendered such a day with no sleep as physically impossible. The alert also indicated sleeping on the job. As such, one has to wonder if supervisors, even if unaware, checked to confirm actual work attendance as well as performance before approving said timecards. If not, this audit therefore asks what procedures could be put in place to prevent that from happening in the future.

The topic carries significance today as well considering new remote and work-from-home opportunities. Indeed, the Association of Certified Fraud Examiners (ACFE) annual Report to the Nations notes payroll fraud makes up some 15% of occupational schemes affecting governments nationwide. They last 18 months on average and cost a median of \$45,000.00. Tips (42%) and internal audits (16%), however, detect a combined 58% of fraud cases.

Secondarily, the complaint claimed familial connections among employees within the same department. The County Human Resources Manual prohibits this situation, but it again begs the question of if adequate steps exist to accurately identify family members working together—especially for any distant relatives of varying degrees. The most important time for that identification of course comes with hiring and onboarding.

Authority for this audit derives from Revised Statute of Missouri (RSMo) 55.030 because, “Whenever the county auditor deems it necessary to the proper examination of any account, demand, or claim, he may examine the parties, witnesses, and others on oath or affirmation touching any matter or circumstance in the examination of such account, demand, or claim.” The account or expenditure in this case relates to payroll costs. A similar statute is 55.160 by virtue of Clay County Constitution Section 4.02, outlining the same duties.

Under Generally Accepted Government Auditing Standards (GAGAS), this type of audit is a Performance Audit. Consequently, the auditor gives recommendations to relevant management as a result of findings backed by adequate and sufficient evidence. Said findings must contain the necessary elements of criteria (alternatively described as rules and regulations to follow), condition (the matter at hand or departure from criteria), cause, and effect. Management is afforded the opportunity to respond to the findings as auditee. Responses are printed verbatim.

II. Audit

- **Time Worked/Attendance**

Criteria:

Section 6 – 4 of the Human Resources Manual for Recording Work Hours

“6 - 4 Recording Work Hours

All staff is required to accurately record time in accordance with federal and state laws. This includes worked time, sick time, vacation, jury duty, bereavement, FMLA etc. Overtime hours are hours worked in excess of 40 per week. Time sheets are due Friday preceding pay day. Employees must complete official time sheets personally. Falsifying time records or allowing another employee to record time on your time sheet will result in immediate termination of employment.”

Condition:

The County’s time and attendance processes, as identified in the HR Manual, lack any steps for managers to appropriately verify employee-logged timecards within the payroll system. This presents a significant risk especially for dispersed work sites, along with working from home or similar remote and telework environments.

Cause:

The County’s payroll functions rely on employees to self-report time worked in the online payroll system.

Effect:

As outlined with the recent whistleblower complaint, a County employee conceivably falsified personal timecards. Direct supervisors knowingly or unknowingly approved said hours over the course of years. The consequence is invalid payroll expenditures and loss of thousands of taxpayer dollars.

Recommendation:

Consider amending the HR Manual to include language suggesting managers inspect workplace locations in-person on a periodic basis. Such monitoring ought to be logged for subsequent auditing and comparison to timecards. Facilities and IT can provide managers with badge entrance or camera proof on a biweekly basis for payroll approvals. Another option for departments includes managers themselves entering the time worked by subordinate employees. In off-site remote situations, various methods of communication should be utilized to confirm presence at work.

Management Response:

I agree with managers/supervisors inspecting workplace locations in-person. Badge scanner reports definitely confirm employee's arrival and departure time. Reports will be beneficial and can be used in areas where there is remote or unsupervised work. Most of the county employees work in areas where their supervisor/manager is and can confirm their hours when approving their timecards.

- **Alertness on the Job**

Criteria:

Section 6 – 4 of the Human Resources Manual for Recording Work Hours

“6 - 4 Recording Work Hours

All staff is required to accurately record time in accordance with federal and state laws. This includes worked time, sick time, vacation, jury duty, bereavement, FMLA etc. Overtime hours are hours worked in excess of 40 per week. Time sheets are due Friday preceding pay day. Employees must complete official time sheets personally. Falsifying time records or allowing another employee to record time on your time sheet will result in immediate termination of employment.”

Condition:

The County's payroll processing procedures, as identified in the HR Manual, lack any steps for managers to appropriately confirm employees aren't sleeping on the job. In other words, policy doesn't directly state employees must remain awake while at work, barring any special conditions.

Cause:

Non-exempt, OT-eligible employees self-report time worked, even for remote or telework environments.

Effect:

Staff can log in without any cause for alarm among management, but simply sleep on the job when able and unsupervised.

Recommendation:

Consider amending the HR Manual to explicitly forbid sleeping while at work. As with the time worked/attendance recommendation, too, include language suggesting managers physically inspect workplace locations on a periodic basis. Such monitoring ought to be logged for

subsequent auditing and comparison to timecards. Another option for departments includes managers themselves entering the time worked by subordinate employees. In off-site remote situations, various methods of communication should be utilized to confirm presence at work.

Management Response:

We certainly can spell it out in the HR Manual that no sleeping is allowed at work and reinforce the policy during the on-boarding process especially for remote/unsupervised employees.

- **Relatives in the Workplace**

Criteria:

Section 4 – 2 of the Human Resources Manual for Employment of Relatives

“4 -2 Employment of relatives

The County prohibits employment of relatives in positions that directly or indirectly report to a family member; where the family members report to the same immediate supervisor or where such employment impedes with the efficient, daily operation of County business. When situations as described above occur in the event of marriage, one of the employees will be required to secure employment in a different location, position, department, etc. The County is not responsible for securing employment for those individuals”

Condition:

The whistleblower complaint highlighted a scenario with relatives of different last names essentially covering up the employee in question’s absence from work.

Cause:

While background checks will not per se turn up relationships of kin, the HR Manual is missing a positive affirmation or attestation of no known relationship among employees within the same department. New hires might sign to acknowledge understanding of the HR Manual upon joining the County, but the familial connection question is not explicitly asked as a precaution. The rule is also not shown on the applicable department job description or application for the position.

Effect:

Similar to the ramification from false timecard entries, allowing family members in the same workplace, with or without knowledge of it by management, leads to likely inequitable or unfair treatment of all County employees. In addition, public dollars conceivably become misspent and wasted.

Recommendation:

Make new hires positively attest to having no knowledge of relatives working within the same department and disclose any relatives employed elsewhere with the County. Clearly include the restriction from Section 4 – 2 of the HR Manual within both job descriptions for all County positions and their applications. Communicate this policy elsewhere on public websites and hiring fairs as practical.

Management Response:

I am attaching a copy of the application that potential employees have to complete in order to apply for a position with the county. There is a specific question that ask if they are related to anyone in the county and if yes, whom? There is a self-attestation right after stating that any false information provided may result in discharge at any time that has to be signed and dated plus we have them sign and date when they receive the HR Manual during on-boarding.

III. Overall Rating for this Audit



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