



MANAGEMENT LETTER of AUDIT OBSERVATIONS

February 4, 2020

Asma Dawood, Financial Services Director

A performance audit of the Financial Services Department's Payroll Section was completed on January 31, 2020, and the issuance of an official Audit Report is pending Management Responses. Internal audits are carried out in all areas of County operations. Thus, in every case the audit focus is upon improving operations by providing management with a reasonable assurance of whether or not internal controls exist and are effective in their areas of operation. When internal control deficiencies are identified, they are brought to management's attention within the Audit Report, along with recommendations for improvement. As a result of this audit, the Internal Audit Function will schedule a 90-120 Day follow-up with the Payroll Section (if applicable), concerning progress made on addressing the Moderate-level risks/findings indicated in the official Audit Report.

The internal audit process consists of a thorough review and understanding of applicable SOPs and policies governing operations and staff actions. Interviews with knowledgeable employees, direct observation of department activities, as well as the testing/reviewing of documentation that support purported activities, are conducted. The audit period covered January 2017 through December 2018, and applicable portions of 2019 and 2020.

The following comments, which have been or will be discussed with you, are intended to improve Payroll's internal control structure. Comments are presented here and not within the official Audit Report, as these items are viewed as beyond the immediate scope of the audit. As with all Management Letters, an official response in writing is not required, however verbal feedback to the internal auditor is encouraged. A few auxiliary items that were revealed, of

which Payroll Management may want to stay abreast and address, are below (*Management Input is italicized*).

1. Missed Punches

Over a 6-week period, from December 2019 – January 2020, Workforce flagged each DAC department that accumulated a high number of ‘missed punches’ (over 1,000, when there should be none without comments/notes). The DAC Wiki, which lists best practices for KRONOS’ timekeeping system, purports that when a missed punch (that becomes a manual punch) occurs, one should “add comment MISSED PUNCH and any notes that you have for audit purposes.” However, many of the missed punches did not have notes to explain a reason for the missed punches.

The Audit recommends mandatory training by Payroll concerning this guidance, so that departments are informed to follow it. Leaving an explanation for the missed punch allows for a better audit trail. Upon consulting Information Technology (IT) to find if comments can be made mandatory, not allowing the user to close/save the field until both comments and notes are added, the internal auditor was told that while it may be possible, the next version of Workforce Central is currently pending. Thus, an inquiry for mandatory fields is best applied to the next version, after it is functional.

The Payroll & Accounts Payable Manager is agreeable with the recommendation to provide training, if this is directed by Upper Management.

2. Unexcused Absences

Over a 6-week period, from December 2019 – January 2020, Workforce flagged each DAC department that accumulated a number of ‘unexcused absences’ (over 300, when there should be none without comments/notes). While the DAC Wiki, which lists best practices for KRONOS’ timekeeping system, directs users to add comments and notes when there are unexcused absences, on multiple occasions this was lacking.

The Audit recommends mandatory training by Payroll concerning this guidance, so that departments are informed to follow it. Upon consulting IT to find if comments can be made mandatory, not allowing the user to close/save the field until both comments and notes are added, the internal auditor was told that while it may be possible, the next version of Workforce Central is currently pending. Thus, an inquiry for mandatory fields is best applied to the next version, after it is functional.

The Payroll & Accounts Payable Manager is agreeable with the recommendation to provide training, if this is directed by Upper Management.

3. **Manual Leave**

Manual Leave occurs when Workforce Central records incidents of leave that are not recorded or approved in advance. When reviewing the incidents of manual leave from January 1 – March 30, 2018, the Audit noted 57 incidents of Vacation Leave within the Detention Center and 66 incidents of Vacation Leave within DASO. While it is reasonable that larger departments would have larger numbers of such incidents, smaller departments also had these occurrences. HR Policy **8-3. VACATION LEAVE**, states that “Vacation leave shall be requested and approved at least forty-eight (48) hours in advance whenever possible. Approval will be subject to advance notification, and the needs of the Department.”

Some Supervisors may not be aware that comments and notes for manual vacation and sick leave can be inputted after the Employee returns to work. The Audit recommends mandatory training by Human Resources concerning this policy, so that departments are informed and reminded to follow it.

The Human Resources Director is agreeable with the recommendation to provide training, if this is directed by Upper Management.

4. **Schedule of Payroll Deadlines**

The former Payroll Staff purported that they labor to get people to verify/approve timecards by 10AM on Monday mornings during payroll week.

However, a review of the posted 2020 Schedule of Payroll Deadlines (on El Sol) does not indicate a calendar schedule for the Financial Services Department. Thus if Payroll requires department responses by 10AM, the Audit recommends that the necessary steps are taken to post a digital **Finance or Financial Services** Schedule of Payroll Deadlines, informing departments of this requirement. Informing departments about the existence of this schedule could be a part of the mandatory training recommended earlier in this report, or it could be communicated via assistance from Media & Public Communications.


The Payroll & Accounts Payable Manager is open to the recommendation above, however she informed the internal auditor that Workforce Central already puts out an applicable email to notify departments.

5. **Inaccurate Timekeeping Report**

The former Payroll & Accounts Payable Manager, whose duties included the periodic audit of time records to ensure accuracy and accountability, purported witnessing Non-Exempt Staff (unnamed) taking 1 hour lunches, but then clocking in and out after the fact for 30-minute time periods (for lunch). While such a practice **could** fall within the scope of time fraud, the behavior remains unsubstantiated. However, it is the internal auditor’s duty to inform readers that monitoring of staff actions is a supervisory function. If upper management suspects such activity, retraining should be an option.

Thank you for the attention given to the items cited above.

Very Respectfully,


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