



Follow-up Review of
Audit of
Disaster Pay Payroll Procedures

Office of the County Auditor

Follow-up Review Report

Robert Melton, CPA, CIA, CFE, CIG
County Auditor

Review Conducted by:

Gerard Boucaud, CIA, CISA, CDPSE, Audit Manager
Luis Martinez, CISA, CDPSE, Information Technology Audit Supervisor

Report No. 21-07
January 21, 2021



OFFICE OF THE COUNTY AUDITOR

115 S. Andrews Avenue, Room 520 • Fort Lauderdale, Florida 33301 • 954-357-7590 • FAX 954-357-7592

January 21, 2021

Honorable Mayor and Board of County Commissioners

We have conducted a follow-up review of our Audit of the Disaster Pay Payroll Procedures (Report No. 18-24). The objective of our review was to determine the implementation status of our previous recommendations.

We conclude that of the 13 recommendations in the report, eight were implemented, four were partially implemented, and one was no longer applicable. We commend management for implementing our recommendations. The status of each of our recommendations is presented in this follow-up report.

We conducted this review in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the review to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our review objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our review objectives.

We appreciate the cooperation and assistance provided by the staff of the Human Resources Division, and the Enterprise Technology Services Division throughout our review process.

Respectfully submitted,

A handwritten signature in blue ink that reads "Bob Melton".

Bob Melton
County Auditor

cc: Bertha Henry, County Administrator
Monica Cepero, Deputy County Administrator
Andrew Meyers, County Attorney
George Tablack, Chief Financial Officer
David Kahn, Director of Human Resources
Howell Herring, Chief Information Officer

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IMPLEMENTATION STATUS SUMMARY

Implementation Status of Previous Recommendations From Audit of Disaster Pay Payroll Procedures

REC. NO.	PREVIOUS RECOMMENDATION	IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
1	Expedite correction efforts related to disaster pay for Hurricane Matthew.	<input checked="" type="checkbox"/>			
2	Analyze and expedite any correction efforts related to Hurricane Matthew disaster pay for Transit employees.				<input checked="" type="checkbox"/>
3	Establish a schedule by which all Federal Emergency Management Agency (FEMA) expense information must be delivered to Emergency Management Division for review and submission to FEMA to ensure timely reimbursement. In addition, we recommend that management develop a process to track FEMA reimbursement submissions and reconcile them against reimbursement payments.	<input checked="" type="checkbox"/>			
4A	Rounding rules should be applied based on collective bargaining agreements for represented employees and County policy for unrepresented employees.	<input checked="" type="checkbox"/>			
4B	Disaster pay procedures should be updated to ensure Post emergency steps required to pay exempt employees 1 ½ times the base rate for eligible time worked are established.	<input checked="" type="checkbox"/>			

REC. NO.	PREVIOUS RECOMMENDATION	IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
4C	Overtime rules and minimum guaranteed hours are applied based on collective bargaining agreements for the Transit 1267 employee group that includes Bus Operators and Extra Board employees.		<input checked="" type="checkbox"/>		
4D	<p>Time entry procedures and system configuration settings should work together to ensure:</p> <ul style="list-style-type: none"> i. Implemented – Employees working during the declared emergency are paid in compliance with the Collective Bargaining Agreements and the County Pay Policies at double their base rate in lieu of all other pay including shift differential (White Collar shift differential issue). ii. Not Implemented – Employees working during the declared emergency are paid in compliance with the Collective Bargaining Agreements and the County Pay Policies at double their base rate in lieu of all other pay including incentive pay. iii. Not Implemented - Hours contribute to overtime appropriately in alignment with the collective bargaining agreements and County pay policies. 		<input checked="" type="checkbox"/>		
4E	Procedures requiring Supervisors to enter twice the number of hours worked during a disaster into the Timekeeping System should be modified.	<input checked="" type="checkbox"/>			
4F	Procedures should address all disaster pay requirements for each employee group. Once updates are complete, management should test the updated procedures to ensure that they work as	<input checked="" type="checkbox"/>			

REC. NO.	PREVIOUS RECOMMENDATION	IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
	intended for each employee group and ensure that these procedures are published, replacing all prior versions.				
5A	Adequately separate timekeeping data entry and approval functions. Further, management should address the segregation of duties conflict created by granting Supervisor functionality and elevated access to both Timekeeping and Payroll Systems to Transit Payroll Liaisons.		<input checked="" type="checkbox"/>		
5B	<p>Adequately configure the Timekeeping and Payroll Systems for disaster pay processing. Specifically:</p> <ul style="list-style-type: none"> i. Not Implemented - The disaster pay code established to pay hourly employees, who worked during the emergency, two times their base rate of pay was configured to pay straight time. ii. Implemented – The disaster pay code established to pay salaried employees, who worked during the emergency, 1 ¼ times their base rate of pay was configured to pay straight time. iii. Implemented - The two disaster pay codes designed to pay exempt employees who worked during the emergency or for post emergency efforts were unavailable during the Hurricane Matthew event, and not configured appropriately to allow exempt employees hours to exceed their regular 40 hours schedules for additional approved time. iv. Implemented - A work rule transfer that enforced the 15-minute rounding rule provisions was not configured. 		<input checked="" type="checkbox"/>		

REC. NO.	PREVIOUS RECOMMENDATION	IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
	v. Not Applicable - Adequately configure the Timekeeping and Payroll Systems for disaster pay processing.				
6	Enhance current training documentation with procedures specific to disaster pay and to implement a periodic training program covering emergency working condition timekeeping procedures.	<input checked="" type="checkbox"/>			
7	Ensure all approved revisions to collective bargaining agreements or County policy are directly incorporated within, or appended to, the relevant agreement or policy in a timely manner.	<input checked="" type="checkbox"/>			

INTRODUCTION

Scope and Methodology

The Office of the County Auditor conducts audits of Broward County's entities, programs, activities, and contractors to provide the Board of County Commissioners, Broward County's residents, County management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted a follow-up review of our Audit of the Disaster Pay Payroll Procedures (Report No. 18-24). The objective of our review was to determine the implementation status of previous recommendations for improvement.

We conducted this review in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the review to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our review objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our review objectives.

Our follow-up review included such tests of records and other auditing procedures, as we considered necessary in the circumstances. The follow-up testing was performed for the period October 7, 2020 through December 10, 2020. However, transactions, processes, and situations reviewed were not limited by the audit period.

Overall Conclusion

We conclude that of the 13 recommendations in the report, eight were implemented, four recommendations were partially implemented, and one recommendation was no longer applicable. We commend management for implementing our recommendations. The status of each of our recommendations is presented in this follow-up report.

OPPORTUNITIES FOR IMPROVEMENT

This section reports actions taken by management on the Opportunities for Improvement in our previous review. The issues and recommendations herein are those of the original review, followed by the current status of the recommendations.

1. Overpayments and Underpayments of Disaster Pay to Employees Should be Corrected in a Timely Manner.

As of July 2017, the Human Resource Division (HRD) had submitted payroll corrections for over 4100 hours of regular pay and over 470 hours of overtime for processing, amounting to over \$103,000 in additional payments due to employees, to remediate underpayment issues encountered during the Hurricane Matthew pay period ending October 8, 2016. These underpayment corrections were processed between February 3 and March 3, 2017. Additionally, HRD continued to process overpayments in excess of \$58,000 from employees who chose to repay the County in installments.

We reviewed a sample of 50 employee timecards from the pay period ending October 8, 2016 to identify the types of variances in disaster pay for Hurricane Matthew. Table 3 lists the type of employee timecard variances and the number of occurrences we noted during our testing.

Table 3: Timecard Variance Types with No. of Occurrences within Sample	
Variance Type	Count and Percentage
Employees Underpaid	14 of 50 (28%)
Employees Overpaid	29 of 50 (58%)
Hours inappropriately contributed to overtime calculations	34 of 40 (85%) - 40 employees tested qualified for overtime
Hours inappropriately contributed to incentive pay	6 of 6 (100%) - 6 employees tested qualified for incentive pay during the pay period
Hours worked were incorrectly rounded	11 of 40 (28%) - 40 employees tested were hourly

Table 3: Timecard Variance Types with No. of Occurrences within Sample	
Hours recorded on the timecard were misstated	39 of 50 (78%)
Inappropriate meal deductions	17 of 50 (34%)

We recommended management expedite correction efforts related to disaster pay for Hurricane Matthew. In addition, management should report the issues encountered during the Hurricane Matthew event, outline the steps taken to correct these issues along with their current status, and provide a correction plan and timeframe when it is expected all the issues will be resolved to the Board of County Commissioners.

Implementation Status: Implemented

2. Human Resources Should Determine Whether Transit Employees Were Overpaid or Underpaid Disaster Pay for Hurricane Matthew.

HRD had not analyzed the impact to Transit employees to correct known workforce compensation issues which had gone uncorrected since October 2016. Because a detailed analysis had not been performed, we were unable to determine the significance of the amount of related errors that may have occurred in the Transit Division. These amounts could have been significant.

We recommended management analyze and expedite any correction efforts related to Hurricane Matthew disaster pay for Transit employees.

Implementation Status: Not Applicable - Management asserted that due to a dispute over contract language, past practice, and after consultation with the County Attorney’s Office, any issues related to overpayments or underpayments were resolved prospectively in recent collective bargaining.

3. FEMA Expense Reports Should be Submitted in a Timely Manner and Adequate Records of Submissions Should be Maintained.

As of August 24, 2017, records were not adequate to determine the actual dollar amounts submitted to FEMA for reimbursement, or the number of agencies who had eligible labor expenses but had not yet submitted documentation to the Emergency Management Division’s Recovery Section (EMR) for review. Additionally, no projects had been officially documented in

the FEMA database system (Emergency Management Mission Integrated Environment) or the Florida database system.

The County had not been reimbursed for any disaster related labor costs for Hurricane Matthew. As of August 24, 2017, FEMA was in the process of reviewing documentation that had been submitted by several County departments and their respective divisions. During our review, we were informed by HRD that as of August 18, 2017, there was an estimated \$434,000 of compensation for hours worked during the declared emergency that was identified as reimbursable by FEMA. The estimate did not include disaster payments to the Transit Division. HRD and FASD estimate the additional expenses could be in excess of \$400,000 bringing the gross estimates for FEMA labor reimbursement to approximately \$850,000.

We recommended management establish a schedule by which all FEMA expense information must be delivered to Emergency Management Division for review and submission to FEMA in order to ensure timely reimbursement. In addition, we recommended that management develop a process to track FEMA reimbursement submissions and reconcile them against reimbursement payments.

Implementation Status: Implemented

4. Disaster Pay Procedures Should Conform to Bargaining Agreements and County Policy.

We reviewed disaster pay procedures distributed during Hurricane Matthew along with the configuration of the Timekeeping and Payroll Systems to support those procedures.

During our review of Disaster pay procedures we noted the following:

- A. Fifteen-minute rounding rules normally applied to employee pay rules for eight of the nine (89%) employee groups were not enforced.
- B. Salaried employees reporting to work during a declared emergency would be paid at the employee's base rate which is not in compliance with County policy requiring a rate of 1 ¼ times the employee's base rate for hours worked during the emergency and 1 ½ times the base rate for hours worked post emergency.
- C. For seven of nine (78%) employee groups, hours for which an employee is paid but was not required to work during a disaster (For example: an employee is asked not to report for regularly scheduled hours) were inappropriately counted towards overtime calculations resulting in overpayment.

- D. Pay provisions entitling hourly employees who are ordered to work during the declared emergency to receive double their base rate stipulate these hours are in lieu of all other pay. We noted that:
- i. White-collar employees working during the emergency received weekend shift differential resulting in overpayments.
 - ii. Employees continued to receive incentive pay for hours worked during the emergency. Additionally, based on the system configuration, employees received incentive pay for up to double the hours worked during the disaster.
 - iii. Hours worked during the declared emergency paid double time while also contributing to overtime for seven of the nine (78%) employee groups despite contract language stipulating this pay is in lieu of all other pay.
- E. Procedures required Supervisors to enter twice the number of hours worked during a disaster into the Timekeeping System. As a result:
- i. Incentive pay (additional amount above base hourly rate) for hourly employees were paid twice.
 - ii. Employee timecards overstated the number of hours worked.
- F. Procedures were incomplete and did not address the following:
- i. Hourly employees reporting to work for four of the nine employee groups.
 - ii. The 4-hour minimum guarantee for bus operators in the Transit Division.
 - iii. Pre-approved leave scheduled during the time period covering the declared emergency.

As a result of A through F above, employees were not paid according to Bargaining Agreements and County Policy resulting in overpayments and underpayments.

We recommended management update the published disaster pay procedures to ensure:

- A. *Issue remediated during fieldwork.* No additional action is required.
- B. Post emergency steps required to pay exempt employees 1 ½ times the base rate for eligible time worked are established.

- C. Overtime rules and minimum guaranteed hours are applied based on collective bargaining agreements for the Transit 1267 employee group that includes Bus Operators and Extra Board employees.
- D. Time entry procedures and system configuration settings work together to ensure:
 - i. Employees working during the declared emergency are paid in compliance with the Collective Bargaining Agreements and the County Pay Policies at double their base rate in lieu of all other pay including shift differential and incentive pay.
 - ii. See i above.
 - iii. Hours contribute to overtime appropriately in alignment with the collective bargaining agreements and County pay policies.
- E. *Issue remediated during fieldwork.* No additional action is required.
- F. Procedures address all disaster pay requirements for each employee group. Once updates are complete, management should test the updated procedures to ensure that they work as intended for each employee group and ensure that these procedures are published, replacing all prior versions.

Implementation Status:

A. Implemented

B. Implemented

C. Partially Implemented

- i. Partially implemented: Although data entry procedures have been established, the system configuration in place does not ensure “DSP – Off” pay codes are setup to contribute to regular or premium overtime as required by the collective bargaining agreements for Transit ATU 1267, and premium overtime for White Collar employees.
- D. **Partially Implemented** - We continue to have concerns regarding the design of disaster pay system configuration and its impact on license or certification-based incentive pay, and regular rate calculations used to pay overtime.
 - i. Implemented

- ii. Not Implemented: Management has asserted that the legacy payroll system paid consistent with the labor agreements and past practices. Management further stated that, any concerns are the result of system limitations of the legacy payroll system that have been resolved with the new payroll system effective January 4, 2021.
- iii. Not Implemented: Management has asserted that the legacy payroll system paid consistent with the labor agreements and past practices. Management further stated that, any concerns are the result of system limitations of the legacy payroll system that have been resolved with the new payroll system effective January 4, 2021.

E. Implemented

F. Implemented

- i. Implemented
- ii. Not Applicable: Based on the updated contract language specifically referencing the letter of understanding to establish criteria covering how Transit Bus Operators should be paid during a declared emergency, I concluded that the 4-hour minimum guarantee described in section 2 or Article 28 is applicable for non-declared emergency, emergency working conditions. As such, the recommendation is no longer applicable.
- iii. Implemented

5. Timekeeping Controls Should be Appropriately Segregated and Payroll Systems Adequately Configured for Disaster Pay

During our review of timekeeping controls, we noted the following concerns:

- A. Timekeeping activities were not appropriately segregated. Under the Timekeeping System role design, the Supervisor role could create, modify, and approve timecard transactions creating a segregation of duties control weakness.
- B. Timekeeping and Payroll Systems were not appropriately configured for disaster pay. During our review of the system configuration we noted:
 - i. The disaster pay code established to pay hourly employees, who worked during the emergency, two times their base rate of pay was configured to pay straight time.

- ii. The disaster pay code established to pay salaried employees, who worked during the emergency, 1 ¼ times their base rate of pay was configured to pay straight time.
- iii. The two disaster pay codes designed to pay exempt employees who worked during the emergency or for post emergency efforts were unavailable during the Hurricane Matthew event, and not configured appropriately to allow exempt employees' hours to exceed their regular 40 hours schedules for additional approved time.
- iv. A work rule transfer that enforced the 15-minute rounding rule provisions was not configured.
- v. A 4-hour minimum guarantee for bus operators in the Transit Division was not configured.

We recommended management:

- A. Adequately separate timekeeping data entry and approval functions. Further, management should address the segregation of duties conflict created by granting Supervisor functionality and elevated access to both Timekeeping and Payroll Systems to Transit Payroll Liaisons.
- B. Adequately configure the Timekeeping and Payroll Systems for disaster pay processing.

Implementation Status:

- A. Partially Implemented** - Management revoked elevated access granted to Transit Payroll Liaisons and established a process by which special access is granted to payroll liaisons under emergency circumstances requiring Human Resources authorization. In addition, management implemented Kronos system reports and audit logs; however, these monitoring controls do not fully mitigate the risk caused by the segregation of duties conflict. In addition, we did not receive evidence that these reports and logs are periodically reviewed reducing the effectiveness of these reports and logs.
- B. Partially Implemented**
 - i. Not Implemented: Management has asserted that the legacy payroll system paid consistent with the labor agreements and past practices. Management further stated that, any concerns are the result of system limitations of the

legacy payroll system that have been resolved with the new payroll system effective January 4, 2021.

- ii. Implemented
- iii. Implemented
- iv. Implemented
- v. Not Applicable - See 4.F. ii.

6. Disaster Pay Training Programs Should be Enhanced.

We noted that data entry procedures used to record hours associated with disaster pay are inconsistent. In the event of an emergency, Supervisors and Payroll Liaisons are tasked with ensuring employees are paid in accordance with the applicable collective bargaining agreement and County pay policies. The emergency working condition procedures currently require a significant amount of manual data entry. As a result, employees, Supervisors and Payroll Liaisons are required to have some understanding of pay rules, bargaining agreement requirements, and the data entry procedures to ensure they can detect errors on timecards before performing the timecard approvals required by current procedures. Based on the inconsistencies in data entry, we noted employees were not adequately trained on disaster pay procedures.

We also reviewed training documentation aimed at managing timecards for both Supervisors and Payroll Liaisons published on the on the EasyPay website. While the Supervisor documentation contained a few general references, it did not contain procedures or guidance pertaining to emergency working condition timekeeping processes.

By their nature, emergency working situations are infrequent, and employees do not have an opportunity to gain experience through repetition. Routine refresher training, ideally when the risk of an emergency is its highest (i.e., before hurricane season), is the best means to ensure employees familiarity with these types of procedures.

We recommended management enhance current training documentation with procedures specific to disaster pay and to implement a periodic training program covering emergency working condition timekeeping procedures.

Implementation Status: Implemented

7. Revisions to Disaster Pay Requirements Should be Appended to the Relevant Collective Bargaining Agreement or County Policy in a Timely Manner.

HRD maintained collective bargaining agreements on the County's website; however, we noted that amendments to these documents were not consistently maintained with the agreements. As a result, agreement provisions could be missed, and noncompliance could occur without timely detection.

For example, while reviewing the emergency working condition provisions of the Amalgamated Transit Union, Local 1267 bargaining agreement (ATU1267) we noted the established rate of pay for bus operators who worked during the emergency was, "time and one-half (1 ½) their regular rate of pay." ATU1267, Article 28, Sections 1 - 3 does not establish requirements covering maintenance workers overtime rate of pay; however, Article 30, Section 2 sets an overtime rate of, "one and one-half (1 ½) times their regular straight time hourly rate for all hours worked in excess of forty (40) hours." During an interview with HRD, they referred our office to a Letter of Understanding (LOU) dated October 28, 1999. The document states that employees who work during emergency operations will receive additional straight time for all hours worked. HRD informed us the language effectively set the rate of pay for hours worked during the emergency at double an employee's base rate of pay. It is not uncommon for bargaining agreements to contain amendments covering supplemental provisions. The ATU1267 agreement has various amendments dating back to September 23, 1991; however, this particular LOU was not attached to the agreement. The County Attorney's Office informed us that the provisions contained in the letter superseded the latest bargaining agreements.

Similarly, during our review of the Human Resources Internal Control Handbook (ICH), Section: 4 - 7, H, we came across an instance where published policy was outdated and not accompanied by revised documentation. The ICH contained provisions covering unrepresented exempt employees. The ICH stated that unrepresented employees directed to work during a declared emergency in specific salary grades will be compensated for all hours worked beyond their regular schedule at their straight rate of pay. A revised memorandum from the County Administrator to the Board dated April 12, 2011 contained updated rates of 1 ¼ times the straight time rate for hours worked during the disaster and 1 ½ times the straight time rate for hours beyond normal scheduled hours resulting from post-emergency recovery efforts. Changes to the ICH were noted and dated throughout the handbook with the earliest falling on May 18th, 2001 and most current on February 3rd, 2005. It was unclear why the revision had not been published.

We recommended management ensure all approved revisions to collective bargaining agreements or County policy are directly incorporated within, or appended to, the relevant agreement or policy in a timely manner.

Implementation Status: Implemented