



Audit of
Disaster Pay Payroll Procedures

Office of the County Auditor
Audit Report

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County Auditor

Audit Conducted by:
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Report No. 18-24
May 31, 2018



OFFICE OF THE COUNTY AUDITOR

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May 31, 2018

Honorable Mayor and Board of County Commissioners,

We conducted an audit of disaster pay payroll procedures.

The objectives of our audit were to determine whether emergency working condition provisions are documented, to determine whether automated and manual payroll procedures related to emergency working conditions are adequate to detect errors and ensure accurate payments, to determine whether emergency working condition compensation is paid accurately, consistently, and in adherence to the bargaining agreements, and to determine whether eligible labor expenses related to Hurricane Matthew were submitted to Federal Emergency Management Agency for evaluation and reimbursement.

Additionally, at the request of management, we expanded our testing to include eligible labor expenses related to Hurricane Irma to determine whether the opportunities for improvement noted during our review of Hurricane Matthew were adequately addressed.

We conclude that emergency working condition provisions are documented; however, automated and manual payroll procedures related to emergency working conditions are not adequate to detect errors and ensure accurate payments in accordance with collective bargaining agreements and County policy resulting in overpayments and underpayments to County employees. Additionally, we conclude that submissions of eligible labor expenses related to Hurricane Matthew to the Federal Emergency Management Agency for evaluation and reimbursement are not yet complete. Opportunities for improvement are included in the report.

We appreciate the cooperation and assistance provided by the Human Resource, Accounting and Enterprise Technology Services Divisions 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
Andrew Meyers, County Attorney
George Tablack, Chief Financial Officer
John Bruno, Chief Information Officer
Susan Friend, Director of Accounting
Mary McDonald, Director of Human Resources**

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INTRODUCTION

Scope and Methodology

The County Auditor's Office 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 an audit related to disaster pay. Our audit objectives were to:

1. Determine whether emergency working condition provisions are documented.
2. Determine whether automated and manual payroll procedures related to emergency working conditions are adequate to detect errors and ensure accurate payments.
3. Determine whether emergency working condition compensation is paid accurately, consistently and in adherence to the bargaining agreements.
4. Determine whether eligible labor expenses related to Hurricane Matthew were submitted to Federal Emergency Management Agency for evaluation and reimbursement.

To determine whether emergency working condition provisions are documented, we obtained and reviewed Broward County Collective Bargaining Agreements and memoranda containing agreement revisions, reviewed the Human Resources Internal Control Handbook, and interviewed appropriate personnel from the Human Resources Division and County Attorney's Office.

To determine whether automated and manual payroll procedures related to emergency working conditions are adequate to detect errors and ensure accurate payments, we reviewed employee timekeeping procedures and interviewed appropriate personnel from the Human Resources Division and Payroll. We also tested the outcome of the procedures to evaluate the results against respective bargaining agreement requirements and County policy, reviewed system design and system configuration documentation in both the Timekeeping and Payroll Systems, and reviewed timekeeping processes.

To determine whether emergency working condition compensation is paid accurately, consistently and in adherence to the bargaining agreements and County policy, we selected a sample of transactions related to Hurricane Matthew and recalculated them according to their respective bargaining agreement provisions and County policy.

To determine whether eligible labor expenses related to Hurricane Matthew were submitted to Federal Emergency Management Agency for evaluation and reimbursement, we interviewed appropriate personnel from the Human Resources, Accounting, and Emergency Management Divisions, and obtained reports of potential reimbursement amounts.

Our audit included such tests of records and other auditing procedures, as we considered necessary in the circumstances. The initial audit period was from October 2016 through August 2017. However, transactions, processes, and situations reviewed were not limited by the audit period. At the request of management, our audit also included such tests of records and other auditing procedures, as we considered necessary to determine whether the opportunities for improvement noted during our review of Hurricane Matthew were adequately addressed during Hurricane Irma.

Overall Conclusion

We conclude that emergency working condition provisions are documented; however, automated and manual payroll procedures related to emergency working conditions are not adequate to detect errors and ensure accurate payments in accordance with collective bargaining agreements and County policy resulting in overpayments and underpayments to County employees. Additionally, we conclude that submissions of eligible labor expenses related to Hurricane Matthew to the Federal Emergency Management Agency for evaluation and reimbursement are not yet complete.

Opportunities for improvement are included in the report.

Background

As Hurricane Matthew neared the Florida coastline on October 5, 2016, Broward County Administration issued a declaration of local emergency. This action effectively shut down the County's regular operations from 5:00pm on October 5th, 2016 until 12:01am on October 8th, 2016. During a declared emergency, employees' pay and accruals may be directly impacted as a result of provisions for emergency working conditions in employee collective bargaining agreements and County policy, which dictate how employees should be compensated both during a disaster and for post disaster activities. Additionally, during an emergency, certain activities are eligible for Federal Emergency Management Agency (FEMA) reimbursement. Accurate timekeeping is required to ensure qualifying hours worked are reimbursed appropriately. During Hurricane Matthew, it was determined by the Human Resource Division (HRD) that an estimated \$434,000 of hours paid to employees by the County were eligible for FEMA reimbursement. This estimate did not include hours paid to employees in the Transit division. HRD and Finance and Administrative Services Department (FASD) estimate the additional expenses could be in excess of \$400,000 bringing the gross estimates for FEMA labor reimbursement to approximately \$850,000.

Disaster Pay Provisions and Employee Groups

Broward County’s employees are covered by eight collective bargaining unit agreements as well as payroll policies established in the Human Resource section of the Broward County Internal Control Handbook (ICH). The Human Resources Labor Relations section is responsible for the negotiation and administration of the bargaining agreements for each employee group. Employees that are not subject to a collective bargaining agreement are classified as unrepresented. Table 1 shows each employee group with the estimated number of employees per group.

Table 1: Estimated Number of Employees by Employee Group	
Employee Group	Estimated No. of Employees
Amalgamated Transit Union, Local 1267 (Transit)	> 850
Amalgamated Transit Union, Local 1591 (White Collar)	> 1100
American Federation of State, County, Municipal (Port Everglades Maintenance Unit)	> 70
Federation of Public Employees (Blue Collar)	> 1100
Federation of Public Employees, Non-Supervisory Unit (Port Non-Supervisory)	> 50
Federation of Public Employees, Supervisory Unit (Port Supervisory)	8
Government Supervisors Association, Local 100 Professional Unit (GSAP)	> 1200
Government Supervisors Association, Local 100 Supervisory Unit (GSAS)	> 300
Unrepresented	> 1400

Provisions covering disaster pay, during declared emergencies, for each employee group include compensation under the following scenarios;

- employees asked to go home during their scheduled shift,
- employees scheduled to work and asked to stay home,
- employees with pre-approved leave prior to declaration of the disaster,
- employees asked to work outside of their regular hours during the disaster, and
- employees asked to work post disaster.

Disaster Pay Payroll Processing

On October 7, 2016, HRD distributed a memorandum to Broward County agencies outlining compensation rules affecting employees during emergency operations. The memorandum provided a summary of County pay policy provisions covering unrepresented employees and four of the eight employee groups (White Collar, Blue Collar, GSAP, GSAS). Agencies with the other four employee groups (Transit, Port Everglades Maintenance Unit, Port Non-Supervisory, Port Supervisory) were directed to their respective collective bargaining agreements for guidance. The Accounting Division’s Payroll section (Payroll) emailed instructions to agencies covering the data entry steps required to manually enter time on employee timecards related to the disaster in the Kronos Timekeeping System (Timekeeping System).

The Timekeeping System went live in April 2014, which included the ability to design and configure pay rules that mirror the collective bargaining unit agreements and County payroll policies automating complex pay calculations. The Timekeeping System works in tandem with the Cyborg Payroll System (Payroll System) to transfer all approved employee timecard information to Payroll for processing. Employee timecards are composed of hours and corresponding pay codes that govern payroll attributes such as rate of pay and which hours contribute to overtime or incentive pay. As the Payroll System processes timecard information, hours and pay codes are processed through automated rules designed to calculate final pay. The Timekeeping System was designed with three pay codes to cover various disaster pay conditions. See Table 2 for a description of Timekeeping System pay codes with rate of pay.

Pay Code	Description	Rate of Pay
207	Hours worked by hourly employees who are authorized to work during a declared emergency	2 times the employees’ straight time base hourly rate (base rate) of pay
012	Hours worked by salaried employees who are authorized to work during a declared emergency	1 ¼ times the employees’ base rate of pay
013	Hours worked by salaried employees who are authorized to work on post emergency activities	1 ½ times the employees’ base rate of pay

Additionally, a transfer process was created to provide employee supervisors with the ability to move employees’ in and out time punches from a regular pay code to a disaster pay code. This transfer was designed to ensure hours are paid at the appropriate rates.

Timecard Approval and Signoff Process

HRD established a process that includes two roles responsible for timecard management (Payroll Liaison and Supervisor). Collectively, these two roles are responsible for the review and management of employee timecards.

The Payroll Liaison role grants the employee access to view employee timecards and system reports and to perform a final signoff once they have determined all approvals are in place and that overall employee hours appear complete. The role does not have the ability to approve timecards or perform data entry functions.

The Supervisor role, has the ability to add, edit or delete timecard transactions such as employee time punches or employee pay codes. Supervisors are also charged with the approval of employees' timecards. Procedurally, employees are required to review and approve their timecards prior to the Supervisor's final approval. Employee approval does not lock the timecard from further edits. Supervisors can effectively modify timecards at any point prior to the pay period signoff.

OPPORTUNITIES FOR IMPROVEMENT

Our audit disclosed certain policies, procedures and practices that could be improved. Our audit was neither designed nor intended to be a detailed study of every relevant system, procedure or transaction. Accordingly, the Opportunities for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed. Management’s response is included in the Appendix.

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 continues 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.

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
Hours recorded on the timecard were misstated	39 of 50 (78%)

Table 3: Timecard Variance Types with No. of Occurrences within Sample

Inappropriate meal deductions	17 of 50 (34%)
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It is essential that adequate systems and controls be in place to ensure that public funds are paid appropriately during times of disaster. Other opportunities for improvement contained in this report will help to prevent similar situations in the future.

We recommend 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.

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

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

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

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. It is essential that the County monitor total amounts submitted for reimbursement and maintain adequate records of submissions.

The County has 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.

During this review, County agencies continued to assemble, and transmit cost data for Hurricane Matthew to the central repository, developed to ensure an appropriate record retention schedule is maintained. EMR reviews this documentation to validate adherence to FEMA Public Assistance policies. Once the review is complete, EMR submits the documentation to FEMA for review; however, no deadline has been established for completion of this activity.

We recommend 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 recommend that management develop a process to track FEMA reimbursement submissions and reconcile them against reimbursement payments.

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. Rounding rules should be applied based on collective bargaining agreements for represented employees and County policy for unrepresented employees.

Update for Hurricane Irma – Issue Remediated: As of December 6, 2017, the 15-minute rounding rules have been applied based on collective bargaining agreements for represented employees and County policy for unrepresented employees.

- 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.

Update for Hurricane Irma – Issue Partially Remediated: As of December 6, 2017, provisions entitling salaried employees to 1 ¼ their base rate of pay for hours worked during a declared emergency have been adequately identified by the procedures; however, we noted that although provisions entitling employees to 1 ½ their base rate of pay was highlighted in both the published and distributed procedures, the data entry steps required to pay employees for these hourly rates were not included.

- 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. Overtime should be applied based on collective bargaining agreements for represented employees and County policy for unrepresented employees.

Update for Hurricane Irma – Issue Partially Remediated: As of December 6, 2017, hours for which an employee is paid but was not required to work during a disaster were inappropriately counted towards overtime calculations resulting in overpayments and underpayments for the Transit 1267 employee group that includes Transit Bus Operators and Extra Board employees. Specifically, we noted the following:

- i. Neither the procedures nor the system configuration provided a means to ensure that employees' hours paid but not worked adequately contributed towards overtime resulting in underpayments. Article 28, Section 1-a of the Transit 1267 bargaining agreement states that employees ordered to return prior to the end of their schedule run shall be kept whole for all hours scheduled and the hours shall be paid at the employee's straight rate or pay or overtime as appropriate.
 - ii. Inadequate timekeeping configuration resulted in overpayments to Extra Board employees. Article 23, Section 8-k of the Transit 1267 bargaining agreement states that, "*Full-time Extra Board Operators will be given the minimum guarantee of hours pay per week as that provided in regular runs for regular Operators*". The system did not appropriately apply the minimum guarantee of hours to the combination of disaster pay hours and regular hours.
- 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.

Update for Hurricane Irma – Issue Not Remediated: As of December 6, 2017, this issue has not been addressed.

- 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. Incentive pay should be applied based on collective bargaining agreements for represented employees and County policy for unrepresented employees.
 - ii. Employee timecards overstate the number of hours worked. Employee timecards should reflect the actual number of hours worked.

Update for Hurricane Irma – Issue Remediated: As of December 6, 2017, we noted the new procedures no longer require timekeepers to enter twice the number of hours worked during a declared emergency.

- F. Procedures were incomplete and did not address the following:
- i. Hourly employees reporting to work for four of the nine employee groups.
Update for Hurricane Irma – Issue Remediated: The new procedure covers all nine employee groups.
 - ii. The 4-hour minimum guarantee for bus operators in the Transit Division.
Update for Hurricane Irma – Issue Not Remediated: As of December 6, 2017, this issue has not been addressed.
 - iii. Pre-approved leave scheduled during the time period covering the declared emergency.
Update for Hurricane Irma – Issue Remediated: The processing of pre-approved leave scheduled during a declared emergency has been adequately addressed in the new procedures.

Procedures should be comprehensive and address all disaster pay requirements for each employee group.

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 recommend management update the published disaster pay procedures to ensure:

- A. *Issue Remediated.* 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*. 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.

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 are not appropriately segregated. Under the current Timekeeping System role design, the Supervisor role can create, modify and approve timecard transactions. Procedurally, at the end of the pay period, employees approve their timecard and, once the approval is in place, the Supervisor performs a final review and approval. However, we noted that the Supervisor role can continue to edit timecards even after the employee has approved the timecard. Ultimately, the Supervisor role's ability to both prepare and update timecard data and approve these transactions creates a segregation of duties control weakness. Timekeeping best practices separate the data entry role from the approval role to limit one person's ability to both enter and approve transactions.

Update for Hurricane Irma – *Issue not Remediated*: As of December 6, 2017, this issue has not been addressed. In addition, the Transit Payroll Liaison role has both Payroll Liaison and Supervisor functionality. We also noted that two of the Transit Payroll Liaisons have elevated access to the Payroll System and can manipulate employees' time even after the timecards have been entered into the Payroll System. This combination of access further reduces segregation of duties controls and increases the risk of unauthorized or inappropriate activity.

B. Timekeeping and Payroll Systems are 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.

Update for Hurricane Irma – Issue not Remediated: As of December 6, 2017, the disaster pay code established to pay hourly employees is still configured to pay straight time. We noted the new configuration sends two hours to the Payroll System for each hour worked to effectuate the double pay rate provisions outlined in the collective bargaining agreement and County pay policies, with one hour coded to regular pay and the other coded to a disaster pay code. When the hours are transferred to the Payroll System, employees who are incentive eligible are paid up to double the incentive pay for hours worked during the declared emergency.

- ii. The disaster pay code established to pay salaried employees, who worked during the emergency, 1 ½ times their base rate of pay was configured to pay straight time.

Update for Hurricane Irma – Issue Remediated: As of December 6, 2017, timekeeping configurations had been implemented ensuring exempt employees directed to work during a declared emergency or as a result of post emergency assignments were adequately paid in alignment with the collective bargaining agreements and County pay policies.

- 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.

Update for Hurricane Irma – Issue Remediated: During our review, we noted the disaster pay codes established to pay exempt employees in accordance with emergency working condition provisions were available to timekeepers during the storm and adequately implemented.

- iv. A work rule transfer that enforced the 15-minute rounding rule provisions was not configured.

Update for Hurricane Irma – Issue Remediated: As of December 6, 2017, timekeeping configurations in Kronos have been implemented ensuring the rounding rule provisions of the various collective bargaining agreements and County pay policies are adequately enforced.

- v. A 4-hour minimum guarantee for bus operators in the Transit Division was not configured.

Update for Hurricane Irma – Issue not Remediated: As of December 6, 2017, this issue has not been addressed.

The Timekeeping and Payroll Systems work together to ensure accurate payroll processing. Both systems should be appropriately configured to ensure the accurate and timely processing of disaster pay.

We recommend 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. Separation of duties helps manage risk related to fraud and error by enforcing the shared responsibility of key business processes strengthening process visibility. Improving these controls could help prevent data entry errors prior to payroll processing.
- B. Adequately configure the Timekeeping and Payroll Systems for disaster pay processing.

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

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

HRD maintains current 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 contains provisions covering unrepresented exempt employees. The ICH states 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 contains 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 are noted and dated throughout the handbook with the earliest falling on May 18th, 2001 and most current on February 3rd, 2005. It is unclear why the revision has not been published.

Update for Hurricane Irma – Issue not Remediated: As of December 6, 2017, this issue has not been addressed.

We recommend 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.

APPENDIX – MANAGEMENT’S RESPONSE



BERTHA W. HENRY, County Administrator

115 S. Andrews Avenue, Room 409 • Fort Lauderdale, Florida 33301 • 954-357-7362 • FAX 954-357-7360

MEMORANDUM

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

FROM: Bertha Henry
County Administrator

DATE: May 30, 2018

RE: Management Response to the Audit of Disaster Pay Payroll Procedures

The Finance and Administrative Services Department’s Human Resources Division has reviewed the County Auditor’s Audit Report on the Disaster Pay Payroll Procedures and submits the following as management’s response.

Background on Audit

After Hurricane Matthew in October 2016, Management had already identified and had begun addressing issues with disaster pay in the new timekeeping system (Kronos) as this was the first emergency event since Kronos had been implemented. This Audit of Disaster Pay Payroll Procedures began on December 7, 2016.

After ten months of review by the Audit staff, an exit conference was held on October 18, 2017. After the first exit conference, the Auditor agreed to expand the scope of the audit at Management’s request to include the payroll processing of disaster pay for Hurricane Irma in September 2017, as many of the issues were already resolved by Management.

Three months later, a subsequent exit conference was held on January 16, 2018 to review the expanded Audit Report. After a draft Management Response was received by the County Auditor’s Office, subsequent meetings were held on April 16 and 23, 2018 to clarify the audit and response due to the technical nature of the report and the evolving nature of handling disaster pay in a new time-keeping system.

It should be noted that this report was originally based on procedures in place prior to Hurricane Matthew, which occurred in October of 2016. As briefly mentioned in the Auditor’s Report, Management had already made significant improvements to the timekeeping and payroll systems after Hurricane Matthew and prior to Hurricane Irma, in addition to the implementation of new emergency working condition procedures. These improvements and procedures were successfully utilized to pay salaried and hourly

employees accurately after Hurricane Irma.

Management Responses

In the report, the Auditor's Office identified specific areas for improvement. The following is Management's response to the audit recommendations. Please note that numbering and format of items correspond to those in the Auditor's report.

1. Overpayments and underpayments of disaster pay to employees should be corrected in a timely manner.

Management Response: Management agrees that any overpayments or underpayments should be paid timely. With respect to Hurricane Matthew, overpayment and underpayment correcting calculations were completed by May 2017 and any overpayments were recovered by December 2017, with the only exception being Transit Division employees.

The Transit Division reconciliation has required an extensive data collection effort to collect the necessary payroll data and Federal Emergency Management Agency (FEMA) forms to reconcile actual hours worked during Hurricane Matthew against hours paid. The information needed to complete the reconciliation was provided at the end of December 2017 and the reconciliation is currently in process.

Subsequent to Hurricane Matthew, emergency working conditions functionality was revised in both the County's timekeeping system (Kronos) and the County's payroll system (Cyborg) to accurately align with collective bargaining agreements and County policies. Utilizing the "lessons learned" from the declared Hurricane Matthew emergency and a comprehensive evaluation of the disaster pay procedures and processes, resulted in a smoother and more accurate disaster pay processing situation. As such, during Hurricane Irma, the Kronos timekeeping system successfully processed pay to hourly and salaried employees for work performed during the declared emergency period, including Transit Division employees, without any major incident.

2. Human Resources should determine whether Transit employees were overpaid or underpaid disaster pay for Hurricane Matthew.

Management Response: Agree. As such, the reconciliation has been on-going. Further, as noted above, Transit payroll data and associated FEMA forms became available for analysis at the end of December 2017. Human Resources is currently in the process of reviewing and reconciling the FEMA forms, Kronos time sheets and Cyborg payment records to determine whether any overpayment or underpayment corrections are necessary and will take the appropriate actions. It is anticipated that the determination of any overpayments or underpayments will be completed by July 1, 2018.

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3. FEMA expense reports should be submitted in a timely manner and adequate records of submission should be maintained.

Management Response: Agree. Consistent with County practice for each declared emergency, timelines and a comprehensive schedule are developed. County staff works with the Florida Division of Emergency Management (FDEM) and the Federal Emergency Management Agency (FEMA) to gather documentation beyond the 60 days (damage inventory report) from the Recovery Scoping Meeting (RSM) with FEMA. Timelines for submission of documentation are set with FEMA and communicated to County agencies. Throughout the fluid process, timelines may be adjusted to address the complexities of properly accumulating the required documentation, as well as any changes by federal and state agencies administering the emergency management process.

There is a current process that is managed by the County's Emergency Management Division (EMD) to track FEMA reimbursement submissions and reconcile them against reimbursement payments. County staff is committed to continue to improve on this process. Again, utilizing the "lessons learned" from the declared Hurricane Matthew emergency, the payroll reconciliation process developed after Hurricane Matthew was utilized to successfully process payroll for Hurricane Irma.

4. Disaster pay procedures should conform to bargaining agreements and county policy.

Management Response: Management agrees that the current disaster pay procedures should and do conform to the existing collective bargaining agreements and County policies. Responses and explanations to specific policies in the Auditor's report are addressed below:

A. Rounding Rules – *Issue Remediated.* Fifteen-minute rounding rules have been included in the Kronos system based on the applicable collective bargaining agreement. This issue was remediated for Hurricane Irma.

B. Pay for Salaried Employees – *Issue Remediated.* The procedures to pay exempt employees one and a half (1½) times their regular rate for authorized post-storm recovery tasks at County Administrator discretion has been established. The procedure was used successfully during Hurricane Irma for authorized post-recovery activities (e.g. shelter management and debris removal). This procedure will be incorporated into the Employee Disaster Pay Process & Procedure Manual and posted on the Broward Employee intranet site (formerly BC-Net). For future declared emergencies, once authorized by County Administration, the procedure will be promulgated to stakeholders on a case-by-case basis contingent on applicable post-storm recovery activities.

C. Overtime Calculations

i. ***Issue Remediated.*** Subsequent to Hurricane Matthew, the Kronos system was reconfigured to ensure consistency with the collective bargaining agreements and County pay policies. This included ensuring that hours worked during the declared emergency were applied toward overtime correctly, based on each union's collective bargaining agreement.

ii. ***Issue Remediated.*** After the meetings in April 2018 with the Auditor's Office, it was clarified that this item was referring to the 40 hour weekly guarantee for extra board operators provided for in Article 23, Section 8k that when paired with disaster pay could result in overpayments. This configuration issue was caught by staff prior to Hurricane Irma and impacted employees were paid straight time and then the employees' time was calculated manually to avoid any overpayments. The configuration issue was subsequently corrected in the system, tested, and put into production in November 2017.

D. Hourly Employee Pay

i. ***In Process of Remediation.*** As previously indicated, disaster pay procedures have been updated in the Kronos system and tested to comply with the disaster pay requirements within each respective collective bargaining agreement and County policy. These updated procedures were incorporated in the Kronos system and used successfully during Hurricane Irma in September 2017, with the exception of the payment of weekend differential for White Collar employees. Unlike the other union shift differentials that were disabled, weekend differential was not disabled when disaster pay functionality was utilized. This oversight, and any other changes that have resulted from recent collective bargaining, will be remedied, tested in the Kronos system, and implemented to ensure that it is compliant with the collective bargaining agreements and County policies.

ii. ***No Issue to Remediate. Paid Consistent with Union Agreements.*** The collective bargaining agreements and the emergency pay policy memorandum provide that hourly employees will be paid double their straight time base hourly rate in lieu of any other compensation. Based on the agreements and practice, base pay may include certain incentive pays.

Specifically, incentive pay falls into two categories: (1) incentive pay based on time worked or assignment (i.e., assignment pay); and (2) incentive pay based on the attainment of licenses and certifications which demonstrate a certain level of proficiency (i.e., certification pay). While both assignment and certification incentive pays are eligible for additional compensation pursuant to contractual provisions, they have different impacts on the base rate of an employee.

Certification incentive pays have long been included as part of employee's base rate of pay and not only on actual hours worked. Some examples of certification pay include: Plant Operator Licenses A & B (5% each), Water Distribution System Operator License (5%), Mechanical Journey Level/Certificate of Competency (5%),

and Security Guard State License (5%). As an illustrative example, when an employee takes leave such as vacation, sick leave or personal days, these certification pays are not excluded from the base rate of pay. Similarly, as these certification pay incentives are included as part of the base rate of pay, they are also included in the payment of disaster pay hours during declared emergencies.

Conversely, assignment incentive pays are based on actual hours worked or an assignment such as shift differentials, or standby are not included in the employee's base rate of pay. Neither standby pay nor shift differentials are added to an employee's base hourly rate during leaves taken by employee and are not as part of the double pay for emergency working conditions.

Accordingly, the incentive pays have been paid consistent with the applicable collective bargaining agreements and practices; the Kronos and Cyborg systems are configured to correctly compensate employees. The County Attorney's Office has reviewed this issue and found it to be a reasonable interpretation of the provisions of the collective bargaining agreement and applicable past practice.

iii. **Issue Remediated.** Subsequent to Hurricane Matthew, the Kronos system was reconfigured to be consistent with the collective bargaining agreements and County pay policies. This includes ensuring that hours worked during the declared emergency are applied toward the computation of overtime consistent with the provisions of the respective union's collective bargaining agreement.

E. Double Entry – Issue Remediated. This issue was fixed prior to Hurricane Irma. Timekeepers are not required to enter the number of hours worked during a declared emergency twice. The configuration still requires that the disaster pay worked be recorded with a different code (HED 207) in CYBORG due to the limitations of the existing payroll system and for easier reporting for FEMA purposes.

F. Procedures

i. **Issue Remediated.** Disaster pay procedures have been updated and tested for each employee group to comply with the disaster pay requirements per collective bargaining agreements and County policy.

ii. **No Issue to Remediate.** The Emergency Working Condition provisions for Transit 1267 employees are in Article 28. This language is clarified in a Letter of Understanding (LOU) dated October 26, 1999, between Broward County and the Amalgamated Transit Union, Local 1267, which specifically addresses double pay for emergency working conditions. For both Hurricane Matthew and Hurricane Irma, Transit 1267 employees were eligible to be compensated at double pay for hours worked during the declared emergency. The long-standing Letter of Understanding (1999) does not provide a minimum guarantee of four hours in addition to the double pay, which is consistent with the past practice for this unit and comparable to the provisions in the County's other bargaining agreements. The County Attorney's Office has reviewed this issue and found it to be a reasonable interpretation of the

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provisions of the collective bargaining agreement and applicable past practice. This LOU will be addressed during upcoming negotiations with the Transit Union to ensure that these provisions are included in the applicable Collective Bargaining Agreement.

iii. **Issue Remediated.** Disaster pay procedures have been updated and tested for each employee group to comply with the disaster pay requirements per collective bargaining agreements and County policy.

5. Timekeeping controls should be appropriately segregated and payroll systems adequately configured for disaster pay.

Management Response:

A. This issue is not specific to disaster pay. The decision to grant Transit payroll liaisons elevated access to both the Cyborg and Kronos systems was a business decision made to accommodate specific operational issues, which arose after the agency went live with Kronos. The elevated access allowed Transit payroll liaisons familiar with the pay policies unique to the Amalgamated Transit Union, Local 1267, to immediately rectify errors to ensure employees were paid accurately and in compliance with their collective bargaining agreement. On January 28, 2018, Transit's edit access to Cyborg was removed with the intent of removing the special Kronos edit access once Cyborg was stabilized and any other system issues were identified. On March 26, 2018, after verifying that all Transit timekeeping issues associated with Kronos have been identified and in the process of being addressed, Transit's special Kronos edit access was removed.

Additionally, while the "Supervisor" role in Kronos has the ability to edit and update employee time cards, the Kronos system maintains an audit record of changes and who makes them. The Human Resources Division will work with the ETS Kronos Administrators to develop an audit report and review process as a mitigating control after Kronos completes the current upgrade to Version 8.1.

B. i. **No Issue to Remediate.** As previously stated in 4D.ii above, certification incentive pay (i.e., certifications and licenses) are included as part of the base rate subject to double pay for emergency working conditions, while assignment incentive pay (i.e., shift differential and standby) is not.

ii., iii., iv. **Issues Remediated.** Subsequent to Hurricane Matthew, the Kronos timekeeping system configuration to process disaster pay has been remediated.

v. **No Issue to Remediate.** As previously stated in 4F.II above, the longstanding Letter of Understanding with the Transit union addressing emergency working conditions does not provide a minimum guarantee of four hours in addition to the double pay, which is consistent with the past practice for this unit, as well as comparable with the County's other bargaining units.

6. Disaster pay training programs should be enhanced

Management Response: Management agrees and has enhanced disaster pay training in place. Immediately prior to Hurricane Irma, training on disaster pay processing was provided to payroll liaisons. In addition, the Employee Disaster Pay Process & Procedure Manual was updated, finalized, and promulgated to the Broward Employee intranet site (formerly BC-Net) for easy access. Furthermore, in preparation for the 2018 hurricane season, additional training will be scheduled in coordination with the Emergency Management Division.

7. Revisions to disaster pay requirements should be appended to the relevant collective bargaining agreement or County policy in a timely manner.

Management Response: Management concurs and will incorporate in subsequent collective bargaining and procedure updates. Human Resources is currently in negotiations with Transit ATU 1267 to incorporate the current Letter of Understanding language into the emergency working conditions article of its collective bargaining agreement. Human Resources has already negotiated with the other County unions to ensure consistency across employee groups to clarify the emergency working conditions language in the collective bargaining agreements. Further, the Employee Disaster Pay Process & Procedure Manual, which includes all the disaster pay policies, was finalized and posted to the Broward Employee intranet site (formerly BC-Net) for easy access.

Thank you for the opportunity to respond and provide Management's comments to the Audit. If there are any addition, deletions/omissions, or other changes or modifications to Management's response, please provide us the opportunity to review prior to issuance. Should you have any questions, please do not hesitate to contact me.

- c: Mayor and Broward County Board of County Commissioners
Monica Cepero, Deputy County Administrator
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George Tablack, CPA, Chief Financial Officer
Henry Sniezek, Director, Environmental Protection and Growth Management Department
Kevin Kelleher, Deputy Chief Financial Officer
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