

July 23, 2015

CATHY LEDFORD  
Interim Assistant Vice Chancellor  
Human Resources  
0007

***Subject: Temporary Employment Services Timekeeping & Recharge Practices  
Project 2015-67***

The final audit report for Temporary Employment Services Timekeeping & Recharge Practices, Audit Report 2015-67, is attached. We would like to thank all members of the department for their cooperation and assistance during the audit.

Because we were able to reach agreement regarding corrective actions to be taken in response to the audit recommendations, a formal response to the report is not requested.

The findings included in this report will be added to our follow-up system. We will contact you to schedule a review of the corrective actions, at the appropriate time.

UC wide policy requires that all draft audit reports, both printed (copied on tan paper for ease of identification) and electronic, be destroyed after the final report is issued. Please destroy draft reports at this time. Thank you.

David Meier  
Director  
Audit & Management Advisory Services

Attachment

cc: K. Ayoub  
J. Bruner  
B. Lorentz  
P. Ouillet  
C. Ross  
S. Vacca

# UC San Diego

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## AUDIT & MANAGEMENT ADVISORY SERVICES

### Temporary Employment Services Timekeeping & Recharge Practices July 2015

**Performed By:**

Bella Chang, Auditor  
Jennifer McDonald, Manager

**Approved By:**

David Meier, Director

Project Number: 2015-67

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Attachment A – TES and TOPS System Flow Charts

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**I. Background**

Audit & Management Advisory Services (AMAS) completed a review of Temporary Employment Services (TES) timekeeping and recharge practices as a supplemental audit to the Fiscal Year 2014-15 audit plan. This report summarizes the results of our review.

TES, a Service Enterprise<sup>1</sup> self-supporting activity, is a “division of Human Resources responsible for providing temporary staffing to departments on campus, at the UCSD Medical Center, Thornton Hospital, and the Veterans Administration Medical Center. New and existing employees are rotated throughout the campus community on job placements that vary in length from a half-day to several months. TES manages all financial operations associated with the unit including payroll and recharges to customer departments<sup>2</sup>.”

The University received audit results in April 2015 from the Department of Health and Human Services – Office of Inspector General (DHHS-OIG), who reviewed the University’s administrative and clerical costs directly charged to Health and Human Services contracts and grants from October 1, 2008 to September 30, 2010. The audit raised concerns regarding TES timekeeping and recharge practices, in particular for employees charged to federal awards.

During the time period reviewed in the DHHS-OIG audit, temporary employees completed paper timesheets, which were approved by the supervisor and sent to TES for processing. The timesheets noted the funding source(s) to be charged for the hours worked, which the DHHS-OIG auditors interpreted to be budgetary allocations. There was not a process to confirm that the hours expended were the same as hours budgeted.

TES has since developed an online timekeeping system called TES Online Pay System (TOPS) for temporary employees to report and administer hours for payroll time records, similar to how a career UCSD employee uses MyTime Entry. Once an employee enters and submits their timesheet, the timesheet moves from the employee’s queue to the supervisor queue. Supervisor-approved timesheets are then sent to the timekeeper’s queue. Timesheets that have been processed for payroll and accepted by the timekeeper are sent to the “Ready” queue, which is used for data entry validation.

In order to manage payroll and recharges, TES utilizes two internal systems – TES Express and TOPS. TES Express is an internal database that manages department requests for temporary employees (or orders), temporary employee information and order assignments, and billing. For each biweekly pay period, TES timekeepers enter hours worked submitted by temporary employees from TOPS into the University’s Timekeeping Application Rewrite (TAR), which is uploaded to the Payroll Personnel

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<sup>1</sup> A service enterprise activity provides, at approved rates and on a regular and continuing basis, goods or services to a wide variety of campus departments

<sup>2</sup> “Temporary Employment Services (TES).” *Temporary Employment Services (TES)*. Web. 12 June 2015. <<http://blink.ucsd.edu/sponsor/hr/org-chart/TES/index.html>>

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System (PPS) to generate payroll checks. A flowchart explaining how TES Express, TOPS, and TAR relate to each other is provided in ***Attachment A***.

**II. Audit Objective, Scope, and Procedures**

The objective of our review was to evaluate the internal controls related to TES timekeeping and recharge practices.

In order to achieve our objectives, we completed the following:

- Interviewed the TES Director;
- Interviewed the two TES Assistant Personnel Analysts (timekeepers);
- Interviewed the Human Resources (HR) – Information Technology (IT) director and programmer analyst that designed TOPS and TES Express;
- Reviewed the following system-wide and local policies and procedures:
  - PPM 395-4.1;
  - PPM 395-4.2;
  - UC Policy PPSM-31;
  - UC Business & Finance Bulletin IA-101;
  - Blink guidance on Recharges and Service Enterprise Activities; and
  - UC Business & Finance Bulletin A-59
- Reviewed the Fair Labor Standards Act (FLSA);
- Reviewed State of California Department of Industrial Relations, Division of Labor Standards Enforcement Labor Law;
- Reviewed Blink guidance on the use of TOPS;
- Obtained a high level overview of the functionality of TES Express, TOPS, and TAR as they related to timekeeping and billing; and
- Evaluated the accuracy of payroll and billing records from TOPS to the campus Integrated Financial Information System (IFIS) and from IFIS to TOPS. To ensure adequate coverage, we tested two months of timesheet information for a random sample of 14 employees who worked between November 1, 2013 through December 31, 2014, equating to approximately \$80,000:
  - Five temporary employees charged to federal funds,
  - Five temporary employees charged to non-federal funds, and
  - Four employees with two concurrent assignments.

Data used in detailed testing was provided by HR-IT through a point-in-time development environment of TOPS.

**III. Conclusion**

Based on our review, we concluded that system controls and business processes were generally adequate to ensure that timekeeping and billing activities were operating as expected and were properly controlled. The controls reviewed were a combination of automated and manual procedures that were evaluated individually and in combination to assess their integrity. Automated pay rate and IFIS account validation functions ensured

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employees were paid and departments were billed at the appropriate rates and indexes. Additionally, manual timesheet reviews appeared adequate to catch inaccurate system calculation for overtime earned<sup>3</sup>.

However, we identified areas where system and business processes could be enhanced to provide greater assurance and control over some timekeeping activities. Specifically, we noted four areas that could be strengthened to include: automated controls for user roles, system notifications, and manual processes for time processing and data entry.

Opportunities for improvement are discussed in the remainder of this report.

#### **IV. Observations and Management Corrective Actions**

##### **A. Automated Timekeeping Practices**

**Automated controls could be enhanced to ensure that user roles are appropriate, notifications are timely, and audit logs are generated to track changes made to client orders and employee timesheets.**

##### Supervisor Roles and System Notifications

The supervisor assigned on the client order in TES Express determines who approves an employee's timesheet in TOPS. TES Express is only accessible by those in the main office (career TES employees and one temporary employee<sup>4</sup>) to manage client orders, employee assignments, and billing. During our review, we noted that it may be possible to change the assigned supervisor of a temporary employee to another user inappropriately, resulting in possible improper payments. At the time of our review, there were no apparent system controls in place that would prevent a temporary employee from being assigned as their own supervisor.

The supervisor role in TOPS is capable of performing the following tasks:

- Add/edit hours worked on the employee's timesheet,
- Approve and send the timesheet to HR, and
- Record comments.

Employees are notified when the supervisor approves their timesheet. However, they are not notified when a supervisor changes their timesheet. While employees have the opportunity to review timesheets after supervisor approval, they may not be aware of any subsequent change made to their timesheets. The supervisor's

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<sup>3</sup> TOPS automatically calculates hours worked on a holiday as overtime-straight. However, circumstances may occur where hours worked on the holiday should be classified as regular time, requiring manual review and time adjustments.

<sup>4</sup> The timesheet of the temporary employee is approved by the TES Director.

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ability to add/edit hours on the employee's timesheet prior to approval could result in inaccurate payments to the employee.

We also noted several instances where timesheets were processed without supervisor approval. In these cases, TES timekeepers enter the hours submitted for pay, as required by the State of California, Department of Industrial Relations, Division of Labor Standards Enforcement Labor Law (CA Labor Law). The timekeepers record a comment in TOPS to notify supervisors that the hours were entered into TAR and the timesheet remains in the supervisor's queue for approval.

Currently, TES sends e-mails to the supervisor to approve timesheets before the payroll deadline and may also send reminders to approve past pay period timesheets, but the e-mail does not inform them that the hours have already been processed.

Additionally, outstanding timesheets that have not been approved for at least two pay periods are accepted by timekeepers. This is done in order to move the timesheets to the "Ready" queue and make it possible to archive the pay periods. By doing so, the timesheet no longer appears in the supervisor's "Unsigned Timesheet" section. Unapproved timesheets are considered high external audit risk for the employees paid with sponsored funds as the timesheet cannot be used to support the billing hours used to calculate the recharge cost.

**Management Corrective Actions:**

HR-IT will implement system controls to prevent temporary employees from being their own supervisors. Automated notifications will also be provided when employee timesheets have been edited and when hours have been processed without supervisor approval.

In addition, TES will continue to remind supervisors that timesheets should be approved in a timely manner, or consider keeping timesheets available for subsequent approval when necessary.

**System Audit Logs**

During detailed testing, we noted that an automated audit process to track changes made in TES Express and TOPS did not exist. As a result, changes made to a client order in TES Express or an employee's timesheet in TOPS could not be readily determined.

**Management Corrective Action:**

HR-IT will build audit capabilities of TES Express and TOPS to track changes made to the system with regard to timekeeping and billing

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processes. Specifically, HR-IT will ensure that the logs include who made changes to funding sources, pay rates, and supervisors and when the changes occurred.

Information to Support External Audit Reviews

At the end of the DHHS-OIG audit, TES consulted with AMAS in order to alleviate the OIG auditors' concerns that temporary employees were being paid on an allocation that was based on a budget, rather than actual effort expended. The conclusion was to include the following funding allocation approval statement to TOPS for supervisors to review:

“Approval affirms that hours reported reflect actual effort performed by the funding source, in the percentages indicated on the timesheet. Please contact the TES office at (858) 534-4604 if the funding source(s) or allocation between multiple funds needs to be reassigned.”

While this statement appears in bolded red font for supervisors to view before approving a timesheet, there were no controls to ensure that the message was reviewed. We also noted that the approval statement disappears after the supervisor approves the timesheet.

TOPS also provides the ability to download a completed PDF version of the timesheet. Although this function is very useful for external auditors, the PDF timesheet does not currently contain the approval statement or the funding source(s) used to pay the temporary employee.

**Management Corrective Actions:**

HR-IT will make system modifications to keep the statement viewable for supervisors after approval and implement a positive affirmation of the allocation(s) from the supervisor, such as a check box, to provide support that the funding source(s) were charged for actual effort expended. HR-IT will also include the approval statement and funding source information on the completed PDF timesheets.

**B. Manual Timekeeping Practices**

**Manual controls could be enhanced to ensure compliance with the CA Labor Law. In addition, data entry controls should be strengthened for processing payroll of concurrent employee assignments.**

Processing Timesheets Not Submitted by the Employee

TOPS is used for employee timesheet submission, supervisor approval, and timekeeper acceptance (*Attachment A*). During interviews, we noted that

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timekeepers have the ability to accept timesheets that have not been submitted by employees and/or approved by supervisors. If an employee does not submit their timesheet for approval by the payroll deadline, the timekeeper has the ability to view the hours and enter them into TAR. This process was used to meet payroll deadlines and ensure the employee was paid timely.

At the time of our review, the timekeepers no longer processed hours that were not submitted by the employee. Instead, they would notify the employee(s) through e-mails and phone calls to complete and submit their timesheet. However, the practice of waiting for an employee to submit their timesheet before generating a paycheck may be a violation of CA Labor Law, which states that “it is the employer's obligation to pay [the employee] on the established payday regardless of whether the timecard is submitted...[The] employer can comply with the law... by paying all of the wages that it reasonably knows are due for [the] regularly scheduled work period<sup>5</sup>.”

**Management Corrective Actions:**

TES will evaluate the volume and circumstances of this type of activity and evaluate whether additional notifications or system enhancements are appropriate. In addition, TES will continue to encourage employees to submit timesheets prior to the payroll deadline.

**Data Entry**

During our review, we observed several timekeeping data entry errors for temporary employees assigned to two concurrent assignments. Errors included overpayment for duplicate and overlapping shifts, underpayment of overtime, overpayment of shift differential, and the classification of hours worked as regular hours rather than overtime-straight. While there may have been a reasonable explanation for the overlapping and duplicate shifts, the timesheets by themselves indicated that the employee was overpaid and the department (and perhaps an external funding agency) was overcharged<sup>6</sup>. The remaining timekeeping errors we identified were minor and attributable to oversight.

**Management Corrective Action:**

TES will ensure that manual processes are strengthened to reduce the occurrence of data entry errors and, in conjunction with HR-IT, assess the possibility of systematic improvements to address issues with concurrent assignments.

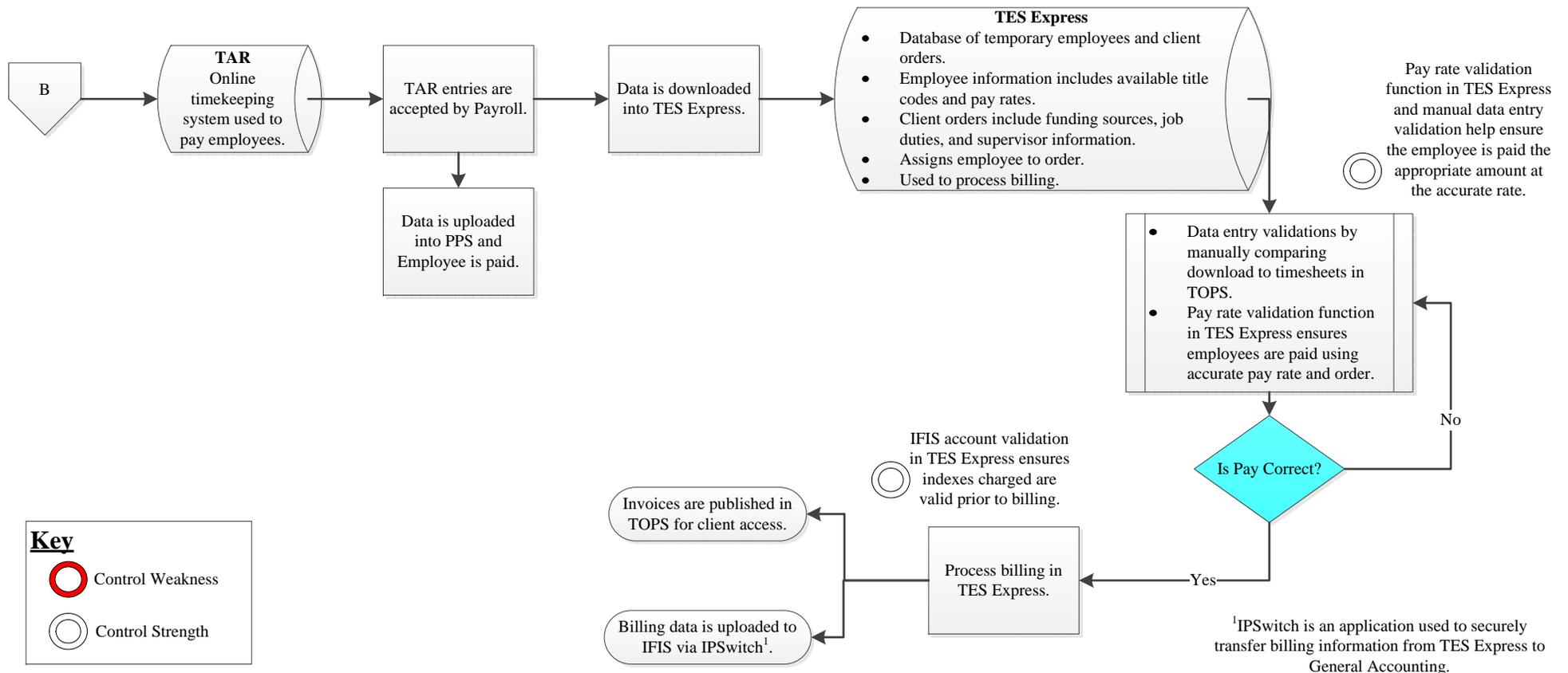
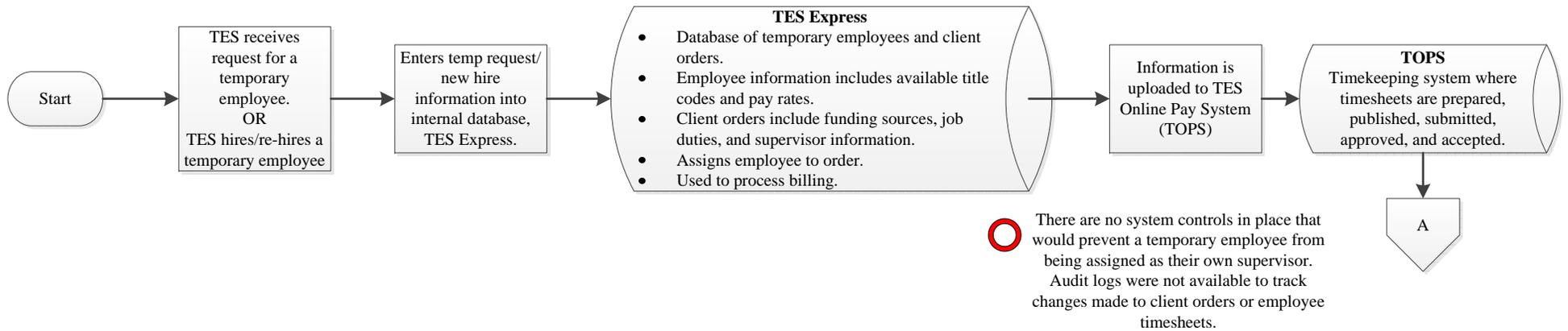
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<sup>5</sup> *Paydays, pay periods, and the final wages.* State of California Department of Industrial Relations, Division of Labor Standards Enforcement. Web. 29.June.2015

<sup>6</sup> Total amount overcharged was approximately \$122, which we consider immaterial given the sample size reviewed.

TES System Flowchart

Attachment A



# TES Online Pay System (TOPS) Process Flow

# Attachment A

