CAPITAL PROGRAMS

TIME AND ATTENDANCE REVIEW

AUDIT REPORT #16-2101

Audit & Advisory Services

March 2016

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Background

In accordance with the Campus fiscal year 2015-16 audit plan, Audit & Advisory Services (A&AS) conducted an audit of internal controls and associated procedures established to facilitate and govern employee time and attendance reporting functions within the UCLA Capital Programs (CP) department.

The CP department consists of the following three units:

*Capital Planning and Finance* – planning, environmental assessment, project budgeting, and project financial services including contracts administration. This area is led by an Associate Vice Chancellor who reports to the Vice Chancellor and Chief Financial Officer.

*Design and Construction* – project design, engineering, permitting and inspection services, project management, and construction management activities. This area is led by an Associate Vice Chancellor who reports to the Vice Chancellor and Chief Financial Officer.

*Administrative Services* – building operations, information technology, and personnel. This area is overseen by a Director who reports to the Vice Chancellor and Chief Financial Officer.

As of September 16, 2015, the CP department had a total of 67 employees.

An electronic timekeeping system, CapSTAR, is utilized by employees to record the time that they work. Charge codes are established for all construction projects to track internal labor costs for CP employees. Non-construction project specific charge codes are also established to track the labor costs for these activities. Employee timesheets must be submitted on a weekly basis to be reviewed and approved by their supervisor. Project managers receive a weekly notification of the employees that have charged time to their construction projects and review it for appropriateness. Project managers also review the actual versus budgeted internal labor costs on a monthly basis.

Purpose and Scope

The primary purpose of the audit was to ensure that CP’s organizational structure and controls surrounding its time and attendance processes are conducive to accomplishing its business objectives. Where applicable, compliance with University policies and procedures was also evaluated. The scope of the audit included:

* Labor Cost Budgets
* Employee Timesheets
* Overtime Compensation
* Labor Cost Transfers

The review was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* and included tests of records, interviews, and other procedures considered necessary to achieve the audit purpose.

Summary Opinion

Based on the results of the work performed within the scope of the audit, internal controls over CP time and attendance processes were generally conducive to accomplishing the department’s business objectives. However, controls and business practices could be further strengthened by implementing the following:

* Evaluate whether obtaining input on project tasks and estimated employee labor efforts from all key CP units and then sharing that information among these units would further enhance the budgeting process for internal labor costs.
* Establish a reminder system to help supervisors ensure their employees’ timesheets are reviewed and approved in a timely manner.
* Generate and review reports that show the total amount of employee overtime costs for the Inspections Unit on a monthly, quarterly, or annual basis. Reviewing overtime costs in aggregate could help management better monitor and manage overtime.

The audit results and corresponding recommendations are detailed in the following sections of the report.

Audit Results and Recommendations

Labor Cost Budgets

Discussions were held with CP personnel to determine whether internal labor costs for department staff are budgeted and monitored for all construction projects. Project budgets are created for each CP unit based on prior projects of similar scope, size, and complexity. A staffing plan is defined that lists all CP employees by role and the estimated labor hours per month and for the project as a whole. The budgets are created by the department’s Project Development unit and shared with the Project Management unit for their input.

A&AS selected a judgmental sample of five construction projects completed during fiscal years 2013-14 and 2014-15, reviewed the project documents on the CP SharePoint website, and verified that internal labor costs were budgeted. On a weekly basis, project managers receive an e-mail listing all employees that have charged time to their construction projects, including details of the total hours and labor costs.  If the project managers have any questions about the amount of time charged, they will contact the employee to clarify.  On a monthly basis, project managers review Budget Tracking Reports, which detail the actual total internal labor costs incurred to date against budget targets. 

1. Internal Labor Cost Budgets

The internal labor cost budgets are created by the CP Project Development unit and shared with the Project Management unit for their input and monitoring; however, this budget information is not shared further with the other department units involved with construction project administration.  Discussions with department management personnel disclosed varying perspectives on the potential benefits of obtaining input and sharing the budget information with each of the relevant CP units.  For example, individual unit employees would likely have a more in-depth understanding of the required tasks they need to perform and could provide input on the reasonableness of budgeted labor hours.  One potential concern expressed was whether staff would view their unit’s labor cost budget as an entitlement to use it up, rather than as an amount to draw against as needed to meet the objectives of the project.

Recommendation: Management should evaluate whether expanded sharing of budget information from additional CP units would further enhance the budgeting process for internal labor costs.

Response: The development of a labor cost budget is based on the defined project scope and schedule for each project. Internal fees projections are also informed by historical data from prior projects. Each draft budget, at all stages of development, is available for review in SharePoint.

Employee Timesheets

CP employees are required to submit their timesheets on a weekly basis, before close of business on Monday of the following week. Supervisors must then review and approve their employees’ timesheets. At 7:00 am each Tuesday morning, reports of employees’ time charged to each project for the previous week are automatically generated and sent to each project manager.

A&AS selected a judgmental sample of CP employee timesheets representing four separate week ending periods during calendar year 2015. The sample timesheets were reviewed to verify timely submittal by employees, and then timely review and approval by the employee’s supervisor. For purposes of this review, a timesheet was deemed timely if it was submitted and subsequently approved before the auto-generated reports of employee time charged to each project were sent to the project manager. The following are the results of the review:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | Submitted Timely | | Approved Timely | |
| Week Ending Date | Total # of Timesheets1 | # | % | # | % |
| 4/25/15 | 69 | 51 | 74% | 28 | 41% |
| 5/30/15 | 68 | 55 | 81% | 26 | 38% |
| 6/13/15 | 68 | 51 | 75% | 30 | 44% |
| 7/18/15 | 67 | 45 | 67% | 18 | 27% |

1Timesheets for employees who typically do not charge project specific codes were excluded such as employees in the Administrative Services and Personnel units.

1. Submission and Approval of Timesheets

As shown in the table presented above, the timeliness of employee submittal and supervisor approval of timesheets could be improved. When users logon to the CapSTAR system, there is a message displayed for employees reminding them to submit their timesheets. A similar message is displayed for supervisors reminding them to approve their employees’ timesheets. Even with these system reminders in place, there is still a need for improved timeliness in both submittals and approvals of timesheets.

Management indicated that although timesheets are not consistently submitted and approved before the weekly email notification is generated and sent to the project managers, there are other reports and reviews performed by project managers to ensure that time employees charge to projects is appropriate. CP management is currently discussing options for sending reminders to supervisors to review their employees’ timesheet in a timely manner. With supervisors being responsible for approving timesheets for multiple employees, and employees submitting their timesheets at different times, the department is working to develop a process that does not overly inundate the supervisors with too many email reminders, which may result in the reminders being ineffective.

Recommendation: Management should continue to develop and implement an appropriate method to improve the timeliness of review and approval of employee timesheets by supervisors.

Response: Employees now receive email reminders to submit their timesheets on Monday afternoon and Tuesday afternoons. Capital Programs has also added a supervisor e-mail reminder to approve timesheets (or to let them know that certain employees have not yet submitted their timesheet). This action has helped improve the submitted and approval rates before Wednesday, when timesheets are typically locked for weekly extraction. However, looking at data over the past few months, the range of timesheets submitted and approved before the preliminary recharge report is sent on Tuesday morning has remained unchanged. Capital Programs Financial Services is currently planning to change the time of the preliminary recharge report to Tuesday afternoon at 1:30PM instead of 6:40AM. Based on current data, this would improve submission rates to 85%-95%, and approval rates to 50%-60%.

Overtime Compensation

Discussions were held with the CP Inspections Unit, Human Resources, supervisors, and project managers, noting that construction inspection requirements may require inspectors to be on-site during off-hours and potentially incur overtime. High-level review of payroll reports for fiscal year 2014-15 confirmed that a majority of the overtime for the CP department was incurred by the Inspections Unit. A judgmental sample of five timesheets where overtime was incurred were reviewed to ensure the employees' direct supervisors approved their timesheets. Discussions with project managers indicated that they monitor the overall time charged to projects on a weekly and monthly basis. The following was noted:

1. Overtime Reports

Although overtime is reviewed as part of a supervisor’s review of individual timesheets, a report that aggregates and summarizes the total overtime costs is not generated and reviewed. The total amount of overtime costs for fiscal year 2014-15 for the CP department was approximately $54,000.

Recommendation: Capital Programs Inspections Unit management should consider generating and reviewing reports that show the total amount of overtime costs on a monthly, quarterly, or annual basis by employee. Reviewing overtime costs in aggregate could help management better monitor and manage overtime.

Response: The $54,000 of overtime represents less than 1% of the total salary budget for Capital Programs. Supervisors review timesheets and they are in the best position to determine if the overtime is reasonable or not. Project Managers may also view how employees are charging to their projects to also ensure that the time being charged is reasonable. Projects are charged the same labor rate whether an hour is deemed regular or overtime, so there is no added burden to a project if the work being done is considered to be overtime. Inspection activity often occurs after normal business hours and is triggered by the requirements of each project’s construction schedule.

Labor Cost Transfers

A judgmental sample of five labor cost transfers was reviewed to verify that the transfers were authorized and processed timely. For the sample reviewed, labor transfer request forms were approved by the applicable project managers and the specific hours being transferred were also approved by the Accounting Manager.  Additionally, labor transfers were processed promptly and there were no unusual or unexplained edits to timesheets.

There were no significant control weaknesses found in this area.

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