UNIVERSITY OF CALIFORNIA, SAN FRANCISCO
AUDIT & ADVISORY SERVICES

Time Keeping Review
Project #22-038

July 2022

July 14, 2022

Shannon Turner
Associate Vice Chancellor and Controller

SUBJECT: Time Keeping Review

As a planned internal audit for Fiscal Year 2022, Audit and Advisory Services ("A&AS") conducted a review of time keeping for bi-weekly, non-exempt employees at UCSF. The purpose of this review was to assess the adequacy of the internal controls and processes in place to support accurate time and attendance reporting and subsequent payments for bi-weekly hourly employees.

Our services were performed in accordance with the applicable International Standards for the Professional Practice of Internal Auditing as prescribed by the Institute of Internal Auditors (the "IIA Standards").

Our review was completed, and the preliminary draft report was provided to department management in June 2022. Management provided their final comments and responses to our observations in July 2022. The observations and corrective actions have been discussed and agreed upon with department management and it is management's responsibility to implement the corrective actions stated in the report. A&AS will periodically follow up to confirm that the agreed upon management corrective actions are completed within the dates specified in the final report.

This report is intended solely for the information and internal use of UCSF management and the Ethics, Compliance and Audit Committee, and is not intended to be and should not be used by any other person or entity.

Sincerely,

Irene McGlynn
Chief Audit Officer
UCSF Audit and Advisory Services

EXECUTIVE SUMMARY

I. BACKGROUND

As a planned audit for Fiscal Year 2022, Audit & Advisory Services (A&AS) conducted a review of time keeping for bi-weekly, non-exempt employees at UCSF. UCSF utilizes Huntington Business Systems (HBS) as its official time and attendance system for all employees (Campus and UCSF Health), exempt and non-exempt. The total number of bi-weekly employees are 4,738 for Campus and 7,783 for UCSF Health with an average bi-weekly payroll of $13 million and $63 million respectively.

Under the Fair Labor Standards Act (FLSA) employers must maintain records of hours worked by each non-exempt employee and bears the responsibility of showing the record of hours worked are accurate.

Campus and UCSF Health employees have six different methods to capture time: (1) badge in and out at the beginning and the end of their shift; (2) single entry during shift by web clock; (3) Clairvia schedule module used by Research and Clinical Nursing Units that sends the employee's schedule to HBS for hours worked; (4) auto-populated timesheet based on a schedule; (5) use the 'web clock' to clock in and out on the internet via designated personal computers; and (6) keying in time directly to the HBS timesheet.

With the implementation of UCPath system, the bi-weekly pay processing has a very compressed timeframe with a three-day turnaround from end of pay period on Saturday to submission of correction file the following Wednesday.[1] Any adjustments not made on the correction file on Wednesday will be processed via off-cycle payment (E-078) manually or the adjustments can be done on the off-cycle I181 file.

Currently, there are three different local and UC systemwide initiatives in progress related to HBS as follows:

(1) Timekeeping Evaluation & Recommendation Project commissioned by UCSF Health which is led by the UCSF Program Management Office (PMO), to propose solution(s) to address process gaps and pain points articulated by UCSF Health departments and to decide whether to adopt clocking in/out for all non-exempt UCSF Health employees;

(2) Evaluation and assessment of an alternative timekeeping system to replace HBS that will be adopted by the five UC Medical Centers; and

(3) UCPath Center's Time & Labor Project is a multi-phase project, that will allow local campuses to make adjustments/edits to the time data file before it gets processed in the payroll module.

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[1] Bi-weekly pay processing begins with employees completing their timesheets by end of pay period (Saturday). Department managers have up until midnight on Monday to check and amend errors and approve timesheets. Starting at 9 AM on Tuesday, the system starts the process to generate the on-cycle (I181) file. HBS sends on-cycle file to UCPath by 2 PM. Next, UCPath sends the E10 Error report to flag any errors that it finds in the on-cycle file. HBS Processing Center (HBSPC) reviews the E10 error report and create on-cycle correction file on Wednesday by 2 PM.

In the interim, there are local projects and enhancements to address issues in HBS such as addressing defects in the configuration to allow for better compliance with collective bargaining agreements.

II.   AUDIT PURPOSE AND SCOPE

The purpose of this review was to assess the adequacy of the internal controls and processes in place to support accurate time and attendance reporting and subsequent payments for bi-weekly hourly employees.

Procedures performed as part of the review include: (1) reviewing University's timekeeping policies to gain an understanding of expectations established for employees; (2) interviewing personnel and perform walkthroughs to gain an understanding of processes and identify key controls; (3) performing data analysis of incomplete and unapproved timesheets, consecutive days and overtime work; (4) assess the controls surrounding timesheet adjustments; (5) reviewing the processing controls for off-cycle pay processing; validating the accuracy of Collective Bargaining Agreements (CBA) rules configured in HBS; and (6) reviewing error reports generated from HBS and UCPath to identify any systemic issues.

The scope period included transactions and activities from July 1 to December 31, 2021. Work performed was limited to the specific activities and procedures described above. As such, this report is not intended to, nor can it be relied upon to provide an assessment of compliance beyond those areas specifically reviewed. Fieldwork was completed in May 2022.

III.   SUMMARY

Based on the work performed, controls and processes surrounding the detection of duplicate payments can be improved. Opportunities for enhanced internal controls and processes were identified relating to timesheet completion and approvals compliance and updating and strengthening payroll policies.

The specific observations from this review are listed below:

A. Timesheet Entry Completion and Approval

1. Duplicate bi-weekly pay was erroneously paid to a Health employee due to internal control gaps in the payroll off-cycle process. Additionally, the current mechanism to detect duplicate payments is insufficient resulting in the payroll error went unnoticed until the audit.

2. Timesheets containing hours worked by employees, including overtime hours were not consistently certified by employees or approved by supervisor, thereby accuracy of time reported by employees is not verified.

B. Payroll Policy

   3.   Current Payroll policies do not contain consistent language such as employee's responsibility for timesheet completion and supervisor's responsibility for timesheet approval.

   4.   UCSF Health Payroll policy does not align with current practices.

Additionally, opportunities for improvement were identified relating to monitoring of excessive overtime and consecutive days worked, streamlining of current Campus processes for handling off-cycle payments, reducing the incidences of later timesheet submissions and creating efficiencies in time reporting and adjustments.

IV.   OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTIONS ("MCAs")

A. Timesheet Entry, Completion and Approval

No.	Observation	Risk/Effect	Recommendation	MCA
1	***Duplicate bi-weekly pay was erroneously paid to a Health employee due to internal control gaps in the payroll off-cycle process. Additionally, the current mechanism to detect duplicate payments is insufficient resulting in the payroll error went unnoticed until the audit.*** During the review, it was noted that the internal controls at the local campus level (UCSF) to prevent duplicate payments was not operating effectively. The local control requires the HBS analyst to select "Manual Pay" in HBS when processing off-cycle pay (E-078); while this was not done, the reviewer also overlooked and approved it for processing. As a result, when the on-cycle (I181) payroll was processed, it picked up the same hours associated with the off-cycle pay period for 10/2/2021 again, causing a duplicate payment of $5,380 to be issued to the employee. Although, UCPath has controls to detect duplicate payments, it currently cannot detect duplicate payments if the on-cycle and off-cycle payroll are processed on the same day. Also, UCPath has no detection controls to detect the duplicate payment after the fact. During the review and upon notification of the error, Payroll has initiated the re-payment process to recover the duplicate payment from the employee.	Without sufficient prevention and detection controls in place, duplicate payments may be processed and not be detected.	a) Payroll should implement a process to ensure the reviewer detects off-cycle payments that don't have manual pay selected and rejects the transaction until it is corrected. b) UCSF Payroll should work with UCPath Center to create a report to detect duplicate payment and use this report to identify any additional duplicate payments that may have occurred previously due to this control gap.	a) As of the audit, Payroll has added procedures whereby preparer of the off-cycle pay transaction follow a checklist to ensure that they have taken the action to set the "Manual Pay" flag and send visual confirmation to the approver before the off-cycle transaction can be submitted. **Action Completed** b) Payroll will partner with UCPath Center and other UC locations to write business requirements proposing a UCPath Cognos report to identify duplicate payments and open a JIRA with UCPath Center. **Responsible Party:** Assoc VC, Controller **Target Date**: November 1, 2022

No.	Observation	Risk/Effect	Recommendation	MCA
2.	***Timesheets containing hours worked by employees, including overtime hours were not consistently certified by employees or approved by supervisors, thereby accuracy of time reported by employees is not verified.*** Analysis of timesheet completion and approvals for the period of July 1, 2021 to December 31, 2021, found 40% of timesheets (123,793 timesheets) were approved but, had not been completed by the employee, with high occurrence from nursing staff. Also, 11% (2% UCSF health and 9% Campus) i.e., 34,735 timesheets, had not been approved by a supervisor or manager. Additionally, data analysis of overtime hours identified 8,727 overtime hours were unapproved for UCSF Health and 12,202 overtime hours were unapproved for Campus, which represents 7% and 28% of the total overtime worked respectively. Table below shows the top five departments with highest number of unapproved overtime hours.	Accuracy of time reported cannot be verified if managers are not reviewing and approving timesheets. The validity of timesheets can be questioned if employees are not attesting/completing their timesheets. Without an approval of overtime in HBS, departments may not be able to substantiate that the overtime was authorized.	a) Payroll/HR should remind all employees of their responsibility for attesting to the accuracy of their hours worked and department timesheet approvers responsibility for reviewing and approving the time records. b) Payroll should assess how it can provide Campus managers similar or improved reporting tools as the UCSF Health managers currently use for monitoring HBS timesheet completion and approvals.	a) Payroll and HR will partner on a joint communication to managers/supervisors of non-exempt employees reminding them of the importance of approving timesheets b) Payroll will review campus report access in HBS to consistently provide to campus approvers access to "Manager Reports" which includes reporting to identify uncompleted/ unapproved timesheets **Responsible Party:** Assoc VC, Controller **Target Date**: October 31, 2022

Department	Employee Title	# Of Unapproved Hours
Materiel SVCS-Supply Distribution	Supply & Distribution Tech	635
PD Patrol Operations	Police Sergeant SUPV 2	445
M_Cardiovascular Research Inst	Clinical Research Coordinator	325
Radiology Body ML	Radiology Tech Supervisor	303
Pharmacy MZ	Pharmacy Tech 3	300

Per PPSM 30- Compensation, "Overtime and over-schedule must be approved in advance, but if overtime or over-schedule is worked it

No.	Observation	Risk/Effect	Recommendation	MCA
	must be compensated whether approved or not. An employee is expected to seek advance approval for overtime and over-schedule work." Department management indicated that other internal procedures are in place for prior approval of overtime. However, HBS is the University's official source record of hours worked and therefore it is important that supervisors/managers approve the overtime hours in HBS. While HBS time completion and approval reports are available for UCSF Health managers, Campus managers do not have the ability to run reports at a higher department level to monitor compliance with timesheet completion and approval. Completion and attestation of timesheet as well as ensuring timesheets are reviewed and approved by managers are important steps in confirming the accuracy of all hours worked. This can also protect the University from any later challenges by the employee on the accuracy of their time records. Additionally, the current remote work environment poses challenges with validating and monitoring employees' time reporting. The telework agreement stipulates that bi-weekly remote/hybrid employees should complete HBS timesheet daily. Therefore, it is important that supervisors regular review and approve their employees' HBS timesheets to be in compliance with payroll policy. Per the UCSF Health Payroll policy, "Supervisors must edit and approve the employee's timesheet in the HBS Timekeeping System before the payroll deadline."			

B. Payroll Policy

No.	Observation	Risk/Effect	Recommendation	MCA
3.	*Current Payroll policies do not contain consistent language such as employee's responsibility for timesheet completion and supervisor's responsibility for timesheet approval.* Currently, there are two UCOP Payroll policies that the Campus adheres to, and they are: PPSM 30 Compensation, and Policy P-196-13 Payroll: Attendance, Time Reporting and Leave Accrual Records. Unlike the UCSF Health Payroll Processing Policy 4.04.01, these two policies do not go into detail about the timekeeping process and expectations of employees for completing timesheets, and supervisor's responsibility for reviewing and approving timesheets. Per the UCSF Health Payroll policy, "The employee's responsibility is to certify the accuracy of the timesheet by the established deadline by accessing their timesheet on-line in the HBS Timekeeping System, clicking the "Complete" icon and agreeing to the certification statement. Employees who fail to record or misrepresent information on their timesheets may be subject to disciplinary action, up to and including termination." The UCSF Health Payroll policy also expects supervisors to edit and approve the employee's timesheet in the HBS Timekeeping System before the payroll deadline.	Without a local policy to provide guidance on employee's responsibility for timesheet completion and supervisor's responsibility for timesheet approval, employees may not adhere to key controls around the timekeeping process.	Payroll in collaboration with Human Resources should consider developing a local UCSF Timekeeping Policy (covering both Campus and Health) to communicate key controls and expectations around the timekeeping process.	Payroll and HR will meet to discuss if the current HR Health policy can be applied to campus. **Responsible Party:** Assoc VC, Controller **Target Date**: November 30, 2022
4.	*UCSF Health Payroll policy does not align with current practices.* The UCSF Health Payroll Processing Policy 4.04.01 was last updated in 2018, and it does not reflect current practices performed by HBS Processing Center (HBSPC) because of the UCPath system implementation such as timesheet submission and review timelines. Also, the Payroll department no longer conducts random audits of entries into the HBS system as stipulated in the policy. In lieu of audits, at every pay period close, HBSPC runs various closing reports such as the HBS Error Report and Leave of Absence Error Report and follows up on the exceptions identified.	Without an updated UCSF Health Payroll policy, employees may be misinformed by outdated information.	Payroll should update the UCSF Health Payroll policy to reflect current processes.	Labor and Employee Relations reached out to the Payroll Office in February 2022 for updates to the existing policy. The outdated language and reference to an HBS audit have been updated in draft. The draft is awaiting final approval.

No.	Observation	Risk/Effect	Recommendation	MCA
				Responsible Party: Assoc VC, Controller **Target Date:** September 1, 2022

V.   OPPORTUNITIES FOR IMPROVEMENTS

No.	Observation	Risk/Effect	Recommendation
1.	***Some employees are working significant amounts of overtime and consecutive days posing patient care safety and employee well-being risks.*** During the period of 6/1/2021-12/31/2021, UCSF Campus had 43,665 overtime hours, and UCSF Health had 125,701 overtime hours. Please refer to table below for the top five positions with the greatest overtime. | Department	Employee Title	Overtime Hours
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OR ML	Hospital Lab Tech	1,541
Respiratory Care Services	Respiratory Therapist	1,495
Materiel SVCS-Supply Distribution	Supply & Distribution Tech	1,464
Sterile Processing ML	Sterile Processing Tech	1,249
PD Security Services	Security Guard	1,134 | Per data analytics, the top five employees worked large amounts of consecutive days, ranging from 28 days to 103 days consecutively. Please refer to Exhibit A below for details. Exhibit A: Analysis of Consecutive Days Worked Premium	Excessive consecutive days worked has a negative impact on employee's well-being and patient care.	a) Senior Management should monitor excessive hours worked by employees and take appropriate measures such as evaluating staffing resources, rotation of overtime, setting limits for number of overtime hours worked. b) Departments should utilize HBS reports such as the "Over 60 Hours Week" report to monitor long hours worked.

No.	Observation				Risk/Effect	Recommendation
	Department	*Employee Title*	*Date Range of Consecutive Days*	*Consecutive Days Worked*		
	Sterile Processing ML	Technician, Sterile Processing	8/27/2021-12/10/2021	103 days		
	Materiel SVCS-Supply Distribution	Supply and Distribution Tech	11/4/2021-12/10/2021 6/27/2021-7/26/2021	36 days 29 days		
	Materiel SVCS-Supply Distribution	Supply and Distribution Tech	10/20/2021-11/25/2021	36 days		
	Materiel SVCS-Supply Distribution	Supply and Distribution Tech	9/13/2021-10/18/2021 11/7/2021-12/10/2021	35 days 33 days		
	Sterile Processing ML	Technician, Sterile Processing	6/1/2021-6/29/2021	28 days		

While there is not a policy governing the number of consecutive days employees can work, multiple studies have reported detrimental effects on patient care and safety as well as adverse impact on employee health as a result of longer working hours.[2] In addition to health and safety risks, the effects of fatigue can have financial ramifications to employers including increases in workers' compensation costs, disability costs and legal fees.

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[2] The International Journal of Environmental Research and Public Health, November 2019; The Institute of Medicine: "*To Err Is Human: Building a Safer Health System.*"

No.	Observation	Risk/Effect	Recommendation
2.	***Current Campus processes for handling off-cycle payroll could be streamlined.*** For the Campus, in order to process an off-cycle payment, there is a two-step process that requires the department to send a PeopleConnect ticket to the Transaction Service Unit (TSU), and the TSU will enter the time in HBS and subsequently submit a separate ServiceNow ticket to HBS; this will inform the Payroll team to accept the retro and process the off-cycle payment. By asking managers to go through TSU first versus going directly to HBS, it takes an additional 1-2 days for the off-cycle payment to get processed.	Lack of efficiency in the off-cycle processing, and delay in off-cycle payment.	To streamline the off-cycle process, consideration should be given to having the Campus departments to submit the Time Maintenance Form (TMF) directly with the ServiceNow ticket to HBS for off-cycle payment processing.
3.	***Efficiencies can be gained by reducing the number of late timesheet submissions which requires off-cycle payroll processing that are manually intensive and prone to errors.*** During the period of July 1 - December 31, 2021, a total of 251 E-078 manual adjustments were made with 103 (41%) were due to late timesheet submissions. Additional resources are expended to process off-cycle transactions as these have to be entered manually. Other contributory factors for manual off-cycle payroll processing were unavailability of timesheet for new hires, position changes and leave of absence. Per the UCSF Health Payroll Processing Policy 4.04.01, "The employee's responsibility is to certify the accuracy of the timesheet by the established deadline by accessing their timesheet on-line in the HBS Timekeeping System, clicking the "Complete" icon and agreeing to the certification statement".	Manual processing of off-cycle payroll (E-078) creates inefficiencies and increases the risk of errors and omissions.	a) Payroll Department should develop a communication plan to create awareness and better educate employees of the impact of late timesheet submission as well as managers and employees' responsibilities to complete and approve timesheets within the specified pay period end. b) Payroll should consider providing better reporting tools to campus department managers such as the HBS "Completion and Approval" report to monitor timesheets completion rates.

No.	Observation	Risk/Effect	Recommendation
4.	***Efficiencies and accuracies in time reporting could be gained by granting nurses at UCSF Health the capability to adjust timesheets and allowing bi-weekly employees/nurses to clock-in/out for timekeeping.*** During the review, it was noted that nurses cannot adjust their timesheets when there are changes to their schedules; this is performed by timekeepers/supervisors. Some units have a designated timekeeper to make the adjustments, while other units have supervisors or directors performing this duty for everyone they oversee. With the limited time to get all adjustments in by the pay period close, expending extensive hours in manually editing timesheets creates inefficiencies for supervisors and directors to be the only designated persons to perform all the adjustments. Also, Campus bi-weekly employees and nurses at UCSF Health do not clock-in/out for timekeeping; these employees often have pre-populated schedules which may not reflect actual hours worked. Accuracy in capturing hours worked can be obtained through having clock-in and out for this group of employees.	Lack of efficiency when the supervisor is the only designated person to make all the adjustments to timesheets.	a) Assess whether nursing staff should be granted access to make current and prior period adjustments with workflow for supervisors and payroll team to review and approve changes. b) Consider expanding clock-in/out for timekeeping for campus bi-weekly employees and nurses.