

**UNIVERSITY OF CALIFORNIA, SAN FRANCISCO
AUDIT AND ADVISORY SERVICES**

**UCSF Health Sterile Processing Department
Time Reporting and Related Payroll Activities
Project #16-046**

September 2015

University of California
San Francisco



Audit and Advisory Services

September 30, 2015

Sheila Antrum

President, UCSF Medical Center
SVP, UCSF Health

SUBJECT: Sterile Processing Department Review

Audit and Advisory Services (“AAS”) conducted a review of Sterile Processing Department (SPD) time reporting and related payroll activities. 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 September 2015. Management provided us with their final comments and responses to our observations in September 2015. 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. In accordance with the University of California audit policy, AAS 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 Board, and is not intended to be and should not be used by any other person or entity.

Sincerely,

A handwritten signature in black ink, appearing to read 'Irene McGlynn', with a horizontal line extending to the right.

Irene McGlynn
Director
UCSF Audit and Advisory Services

EXECUTIVE SUMMARY

I. BACKGROUND

At the request of Sterile Processing Department (SPD) management, Audit and Advisory Services (AAS) conducted a review of the controls and processes pertaining to SPD time reporting and related payroll activities.

SPD provides services for cleaning, decontamination, disinfection and sterilization of surgical instrumentation and medical devices. SPD has over 100 full time employees and 50 agency temporary staff across the three UCSF Health campuses– Moffitt Long, Mount Zion, and Mission Bay.

SPD uses Clairvia and Excel spreadsheets to schedule shifts for employees and agency temporary staff. SPD utilizes Sterile Processing Microsystem (SPM), a resource management tool for various purposes such as monitoring productivity, tracking sterilization and managing compliance. SPD employees use Huntington Business Systems (HBS) timekeeping system interfaces with UCSF online payroll personnel system to track employee hours worked and attendance records. SPD has developed Time Log sheets to manually track time reporting records for instances where employees forget to clock-in or out of HBS timekeeping system.

Agency temporary staff is employed at all SPD locations reporting to local management and uses Registry Daily Sign-In Sheet to track time worked. Agency temporary staff worked hours are entered into MedAssets Workforce Exchange (WFX) system by a SPD analyst. Payments are processed by UCSF Accounts Payable after MedAssets pulls all the approved time by each agency into a remittance file.

SPD employee time reporting adjustment is a centralized process managed by an analyst, responsible for processing time adjustments for all employees. Time reporting adjustments are processed either online in HBS timekeeping system timesheets or manually using Time Maintenance Forms (TMF) which are then processed by Medical Center payroll.

In Fiscal Year 2015 SPD's total salary and wage expense was \$5.5 million distributed over the 3 locations as follows:

Moffitt Long \$3.7 million;
Mt Zion \$841,000,
Mission Bay \$987,000.

II. AUDIT PURPOSE AND SCOPE

The purpose of this review was to:

- 1) Identify and determine the effectiveness of key controls for ensuring the accuracy and completeness of time reporting and related payroll activities;
- 2) Determine compliance with department and University policies and procedures;
- 3) Validate the efficiency and effectiveness of the controls (e.g. management review, segregation of duties, approvals etc.) over the time reporting and related payroll activities; and
- 4) Identify opportunities for improvements of the time reporting and related payroll activities and systems.

The scope of the review covered SPD employee and agency temporary staff time reporting and related payroll transactions and activities for December 2014 through May 2015 at Moffitt Long/ Parnassus, Mount Zion, and Mission Bay hospitals.

Procedures performed as part of the review included a walkthrough of processes, review of time records, evaluation of time reporting adjustments processing and monitoring procedures, testing of time transactions and adjustments, and reviewing HBS, SPM functionalities and data. For a more detailed description of the steps, please refer to Appendix A.

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 August 2015.

III. SUMMARY

The results of the assessment identified opportunities for SPD to enhance the current design and operation of internal controls relating to time reporting and related payroll activities. The areas for potential improvement areas are briefly summarized below and discussed more thoroughly in the “Summary of Observations and Management Corrective Action” section that follows:

- Segregation of duties is not being maintained.
- HBS time adjustments are not reviewed or monitored by management.
- Time adjustments were not consistently supported by documentation.
- Time reporting and payment reconciliation of temporary agency staff are not performed.
- SPD is not fully utilizing the system functionalities and has inconsistent practices across the three locations.
- HBS Time Reporting guidelines and University Business and Finance Bulletin Number IA-101 are not followed.
- Time sheet records are not retained in accordance with UC Records Retention Schedule.

IV. OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTIONS (“MCA”)

No.	Observation	Risk/Effect	Recommendation	MCA
1.	<p><i>Segregation of duties is not being maintained.</i></p> <p>A SPD Analyst makes changes to and approves HBS timesheets for all SPD employees, including her own, without any management review of the changes made. This individual also has the authority to prepare and approve time reporting adjustment using Time Maintenance Form (TMF).</p> <p>University Business and Finance Bulletin Number IA-101, Internal Control Standards: Departmental Payroll requires that no employee may approve documents which affect the employee's own pay.</p> <p>Internal control activities require key duties to be separated, prohibiting one individual to have complete control over more than one key processing function or activity, such as authorizing, approving, certifying, disbursing, receiving or reconciling.</p>	<p>The absence of appropriate segregation of duties significantly increases the risk of manipulation of time records.</p>	<p>SPD management should consider re-assignment of duties such that appropriate segregation of duties between timesheet preparation, adjustments and approval is established.</p>	<p>As part of the current assessment of its organizational structure, SPD will be reviewing roles and responsibilities including creating appropriate segregation of duties. The new organizational structure is expected to be in place by March 31, 2016.</p>
2.	<p><i>HBS time adjustments are not reviewed or monitored by management</i></p> <p>SPD management does not currently generate a report to monitor the accuracy and completeness of HBS time reporting adjustments. Between pay periods December 2014 and May 2015, approximately 5,778 time reporting adjustments were made within HBS. These adjustments represent manual entries of hours due to time records not captured in HBS web clock or badge readers, authorized unpaid leave, sick personal, late-unpaid, and other paid leave/absence. Since not all employees complete their timesheets in HBS, checks and balance designed to ensure timely reporting records' accuracy were not in place.</p> <p>Internal Control systems and activities need to be monitored. Ongoing monitoring should occur in the course of normal business operations that includes regular management and supervisory activities.</p>	<p>Without ongoing monitoring processes in place to ensure the accuracy of the transactions cannot be assessed.</p>	<p>SPD management should develop and implement monitoring procedures for time reporting transactions and adjustments.</p>	<p>As part of the assessment of SPD operations, management monitoring procedures will be determined. The monitoring procedures will be implemented by May 1, 2016.</p>

No.	Observation	Risk/Effect	Recommendation	MCA
3.	<p><i>Time adjustments were not consistently supported by documentation.</i></p> <p>Reviewed a sample of 40 HBS time reporting adjustments and noted the following:</p> <ul style="list-style-type: none"> • 29 adjustments had been processed based on supervisory verbal requests and approvals with no documented support for the adjustments. Consequently, we were unable to validate the accuracy of these adjustments. • Of the remaining 11 adjustments that were supported by time log forms; 6 did not match the corresponding time log. SPD was able to provide further explanations for the differences, but there was no supporting documentation. • There were inconsistencies in supervisory approvals of the adjustments. The time logs for the Mt Zion location were generally approved by the supervisor; however, there are no supervisory approvals for the time records at Moffitt/Long. <p>Additionally, we noted that time reporting adjustments processed through TMF were also based on verbal requests and approvals.</p> <p>UC Accounting Manual: V. Payroll Operations – Attendance, Time Reporting, and Leave Accrual Records requires departmental records to be kept and readily available for audit on attendance records.</p>	<p>Inadequate documented audit trail of the adjustments to time records increases exposure to unauthorized changes.</p>	<p>SPD management should define the required information to support the time reporting adjustments. Information should include, but not be limited to, the person initiating the transaction, reason for the adjustment and the supervisor approving the time reporting adjustment.</p>	<p>a) SPD is piloting a process for authorization, documentation and approval for overtime and expect this to be rolled out for all locations by December 30, 2015.</p> <p>b) Existing time log forms will continue to be used for justification of adjustments other than overtime. SPD management will be reminded to ensure that these are completed and signed-off.</p>
4.	<p><i>Time reporting and payment reconciliation of temporary agency staff are not performed.</i></p> <p>SPD has not established any monitoring procedures to reconcile agency temporary staff time reported against payments issued.</p> <p>Agency temporary staff time is entered into MedAssets WFX by a SPD employee based on approved time sheets. The hours are reviewed by the agency and submitted for payment to UCSF Health Accounts Payable department. However, no procedures have been established to</p>	<p>Erroneous payments or time reporting records may go undetected.</p>	<p>SPD management should develop procedures for reconciling and monitoring agency temporary staff time reporting records and payments issued.</p>	<p>a) SPD has developed procedures for reconciling agency staff payments stationed at Mission Bay Hospital. The same process will be instituted at</p>

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	<p>reconcile hours entered into WFX against payments made.</p> <p>Sound internal control practices require departmental accounting records and documentation to be compared with University accounting system reports to verify their reasonableness, accuracy, and completeness.</p>			<p>Moffitt/Long Hospital by April 15, 2016.</p> <p>b) Options for streamlining the process for approving agency staff time and reconciliation will be evaluated and determined by March 31, 2016.</p>
<p>5.</p>	<p><i>SPD is not fully utilizing the system functionalities and has inconsistent practices across the three locations.</i></p> <p>SPD uses Clairvia at Moffitt/Long and uses Excel spreadsheets at Mt Zion and Mission Bay for scheduling shifts. SPD employees use HBS timekeeping system to record time and SPM for production/operations. All these systems allow timekeeping recording functions and SPD is not using these systems to effectively manage time reporting and attendance monitoring.</p> <p>The design of Clairvia and HBS systems streamlines timekeeping processes and minimizes manual processes and paper handling and SPD is not currently utilizing these features. For example, Clairvia and HBS provide automated notifications with reminders for employees and supervisors on submitting shift swap requests; the ability to submit leave requests; viewing and editing time records, updating and approving leave hours and work hours; and viewing leave accruals and balances.</p> <p>Additionally, SPD management has not assessed available HBS and SPM data to develop reports for management monitoring on employee attendance and absenteeism.</p>	<p>Inconsistent procedures and use of systems may lead to different interpretation of data. By not utilizing Clairvia and HBS system functions and data, SPD may not be maximizing the benefits of these systems.</p>	<p>SPD should assess current time reporting manual processes and evaluate the pros and cons on using Clairvia, HBS, and SPM to meet their business needs and to streamline their processes and ensure that consistent practices are in place across the three locations.</p> <p>Also, SPD should evaluate the system data available that could be used to develop management reports to assist</p>	<p>a) By November 30, 2105, SPD will implement Clairvia for scheduling across all three locations that will interface with the HBS system.</p> <p>b) SPD will be assessing the reports available in HBS and SPM for monitoring compliance. The assessment will be completed by March 31, 2016.</p>

No.	Observation	Risk/Effect	Recommendation	MCA
			with attendance monitoring.	
6.	<p><i>HBS Time Reporting guidelines and University Business and Finance Bulletin Number IA-101 are not followed.</i></p> <p>Reviewed SPD HBS timesheets status for pay periods December 2014 through May 2015, and noted that 53% of the 2,390 timesheets were not completed by the employee and 97% of these timesheets were approved by an individual not in a supervisory role.</p> <p>UCSF Payroll HBS Training and Job Aids states that all employees must complete their timesheets and approvers should only approve completed timesheets. University Business and Finance Bulletin Number IA-101, "Internal Control Standards: Departmental Payroll" requires individual attendance and job time records to be approved by the employee's supervisor.</p>	Employee time reporting accountability may be compromised if timesheets are not completed and/or not approved by an appropriate individual.	<p>SPD management should reinforce to all employees the need to complete their timesheets timely.</p> <p>SPD management timesheet approvers should be in management roles.</p>	<p>a) Staff responsibility and accountability for completing their timesheets was communicated at a recent staff meeting.</p> <p>b) Effective March 31, 2016, as part of the new organizational structure, responsibility for approval of timesheets will reside with management.</p>
7.	<p><i>Time sheet records are not retained in accordance with UC Records Retention Schedule.</i></p> <p>We noted that SPD retains the agency temporary staff Registry Daily Sign-In Sheets and Time Cards for only one month. These documents are accounts payable related documents evidencing agency temporary staff hours worked and corresponding SPD supervisory/management approvals and should be retained for four years per UC Records Retention Schedule.</p> <p>UC Business and Finance Bulletin Records Retention and Disposition: Principles, Processes, and Guidelines have established UC Records Retention Schedule governing the retention of records university-wide. Official financial and procurement related records are to be retained for 4 years after the end of the fiscal year in which all activity has been completed.</p>	Retaining agency temporary staff timekeeping records for one month is not in compliance with UC Records Retention Schedule developed to comply with UC operational and/or legal requirements.	SPD should retain agency temporary staff timekeeping records as required by UC Records Retention Schedule.	SPD has begun the process of retaining agency temporary staff time records for 4 years.

V. OPPORTUNITIES FOR IMPROVEMENTS

<u>No.</u>	<u>Observation</u>	<u>Risk/Effect</u>	<u>Recommendation</u>
1.	<p><i>Monitoring procedures can be enhanced through better adoption of system tools and reinforcement of department procedures.</i></p> <p>During the review we identified opportunities for using HBS time reporting system and SPD's operations system for monitoring productivity and attendance. SPD has not been cross-checking time records between HBS and SPM to detect unusual time gaps and uncorrelated time records. However, these monitoring reports can only be effective if there is compliance and consistency in the use of systems. For example, we noted that the employees are not always logging out of the SPM system at the end of their shifts and therefore data cannot be captured for trending analysis or to compare with the HBS time reporting data.</p>	<p>Inconsistent and incomplete data used to monitor employee attendance and absenteeism may lead to employee being evaluated incorrectly.</p>	<p>SPD management should consider enforcing consistent adoption of Clairvia, HBS and SPM functionalities, and assessing pertinent data that can be used to generate reports on detecting unexpected timekeeping records and/or absenteeism trends.</p>

APPENDIX A

To conduct our review the following procedures were performed for the areas in scope:

- Reviewed relevant UC policies and AFSCME collective bargaining agreement.
- Interviewed SPD personnel and performed walk-throughs of key business processes including scheduling timesheet reviews and approvals, time reporting adjustments, and agency temporary staff time reporting processes.
- Obtained an understanding on Clairvia, HBS and SPM system functions and data.
- Obtained an understanding of SPD management time attendance monitoring.
- Assessed time reporting and related payroll activity process controls.
- Tested a sample of HBS time adjustments to verify the accuracy and backed up documentation.
- Compared HBS clock in/out records against the login access records for Sterile Processing Microsystems to ascertain whether time reported agreed to operational information.
- Performed an analysis of the source and locations that SPD employees were clocking in and out.