UCIRVINE | INTERNAL AUDIT SERVICES

Time Reporting

Internal Audit Report No. I2023-109

November 1, 2023

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November 1, 2023

JUAN DIAZ
DIRECTOR OF CENTRAL PAYROLL SERVICES
ACCOUNTING AND FISCAL SERVICES

RE: Time Reporting Audit
        Report No. I2023-109

Internal Audit Services performed a limited review of campus timesheet reporting using the UCI Time Reporting System (TRS) and the final report is attached.

We extend our gratitude and appreciation to all personnel with whom we had contact while conducting our review. If you have any questions, please do not hesitate to contact me.

Sincerely,

Mike Bathke
Director

Attachment

C: Audit Committee
     Barry Oh, Assistant Vice Chancellor and Controller – Accounting & Fiscal Services

I.   MANAGEMENT SUMMARY

In accordance with the fiscal year (FY) 2022-2023 audit plan, Internal Audit Services (IAS) reviewed current practices and processes in campus timesheet reporting and processing for payroll distribution utilizing the UCI Time Reporting System (TRS). There are multiple levels of responsibility involved in submitting time for appropriate and accurate compensation, beginning with the employee, all the way through to the systemwide UCPath Center, who process reported time. The review identified that some departmental internal controls, monitoring, and oversight are inadequate to minimize business risks, promote best business practices, or ensure compliance with campus requirements. IAS notes the following observations.

TRS Timesheet Submissions –TRS timesheets for pay period ending in March 2023 accessed by monthly and biweekly employees disclosed timesheets submitted by employees but not approved or late timesheet submissions by employees, their supervisors, and/or their Departmental Time Administrators (DTA) going through June 2023. This observation is further discussed in section V.1.

Leave With Pay Adjustments – In IAS's sample set, five employees reported leave with pay hours from January 1, 2023 through May 31, 2023 but no such hours were processed and posted to the payroll ledger as of June 23, 2023. This observation is detailed in section V.2.

Leave without pay was also reviewed. UCPath processes dictate that an employee on an unpaid leave of absence (LOA) have their earnings reduced/ decremented through the Unpaid LOA entry in Job Data, not through the Leave without Pay (LNP) coding in TRS. UCI Central Payroll conduct post-payroll run audits in order to validate all time processed.

II.   BACKGROUND

TRS is a web-based application developed by the University of California, Irvine (UCI) in 2010 for campus time entry, tracking, and reporting. This system brings efficiency with an online interface that allows employees to enter time online, supervisors to approve/edit/return timesheets, and DTAs to submit timesheets electronically for payroll processing. In addition, TRS automatically generates e-mails to assist employees, supervisors, and DTAs in meeting deadlines and in alerting them regarding changes that may be needed for a timesheet.

The responsibility for recording and maintaining attendance, time reporting, and leave accruals as required by the University is significant considering there are also Federal requirements to substantiate the salaries and wages charged to Federal and Federal flow-through contracts and grants, and Federal requirements for overtime and overtime-related recordkeeping under the Fair Labor Standards Act (FLSA).

III.   PURPOSE, SCOPE, AND OBJECTIVES

The purpose of this audit was to review the currently established time keeping practices and processes as well as assess the implemented internal controls. The scope included a limited review and sample testing of timesheets data in TRS for pay period ending in March 2023.

For testing purposes, IAS included the following objectives:

1. Determine if monthly exempt time reports are properly monitored and tracked for exceptions, such as leave without pay, to ensure accurate payroll disbursement amounts;

2. Determine if biweekly and monthly timesheet submissions are properly monitored and tracked to ensure accurate and proper payroll disbursement amounts; and

3. Determine if appropriate internal controls or best business practices have been implemented to ensure accurate and timely reporting for proper payroll disbursement.

IV.   CONCLUSION

IAS notes that appropriate monitoring and internal controls for time reporting and processing that ensure accurate and timely payroll distribution and reduce the potential for inaccurate pay and leave balance reporting are lacking by departments.

IAS discussed observation details with the UCI Central Payroll office because they are the unit who liaise between the campus departments and the UCPath Center and are the functional administrator for TRS. UCI Central Payroll then formulated action plans to address the issues. The details are presented below.

V.   OBSERVATIONS AND MANAGEMENT ACTION PLANS

1. TRS Timesheet Submissions

Background

The DTA is the person responsible for the final review and submission of current and late timesheet information into TRS. One of the five functions a DTA performs in TRS includes reviewing and approving employee work/leave hours within TRS for interfacing with UCPath by the deadlines established by the UCPath Center. For monthly exempt employees, timesheets are used to record use of leave with

pay (i.e.: vacation, sick leave, etc.) and leave without pay and are reported in arrears. Biweekly paid employees submit their timesheets for payment of hours actually worked, overtime, and shift differentials, and includes, as necessary, recording of leave with and without pay.

In addition, when employees report LNP on a timesheet, the DTA generally verifies that an employee's recorded work/leave hours in TRS have posted correctly in UCPath after payroll processing has completed.

Adherence to the timesheet submission deadlines by the employee, supervisor, and DTA is extremely important to ensure that UCPath will generate an accurate and timely paycheck for each employee.

Observation

IAS reviewed TRS timesheets accessed by monthly employees for the pay period ending (PPE) March 31, 2023 and by biweekly employees for PPE March 18, 2023. The review found that some employees did not report their time through TRS timesheets and some supervisors and DTAs did not approve and review the TRS timesheets by their designated due dates or in a timely manner.

The following is a summary of submissions for the monthly employees PPE March 31, 2023 timesheets review:

- 4,350 timesheets accessed by monthly employees in TRS were reviewed.
- 592 timesheets were submitted late by employees to their supervisor, after the April 6, 2023 due date, and a few as late as June 9, 2023.
- 1,152 timesheets were submitted late by supervisors to the DTA, after the April 9, 2023 due date, and over 50 were submitted as late as June 9, 2023. IAS notes that 985 timesheets were submitted timely by the employee to their supervisor.
- 411 timesheets were submitted late by the DTA for payroll processing, after the April 18, 2023 due date. IAS notes that 187 timesheets were submitted by supervisors before the DTA payroll deadline date.

The following is a summary of submissions for the biweekly timesheets for PPE March 18, 2023:

- 6,643 timesheets accessed by biweekly employees in TRS were reviewed.
- 590 timesheets were submitted late by employees to their supervisors, after the March 17, 2023 due date, and one as late as May 15, 2023.
- 1,092 timesheets were submitted late by supervisors to the DTA, after the March 20, 2023 due date, and one as late as June 12, 2023. IAS notes that 814 timesheets were submitted timely by the employees to their supervisors.
- 190 timesheets were submitted late by the DTA for payroll processing, after the March 21, 2023 due date. IAS notes that 20 timesheets were submitted by supervisors before the DTA payroll deadline date.

Implementation of appropriate monitoring and oversight, such as timely reviews and submission of timesheets by their due dates, minimizes the risks of potential errors or inaccuracies in payroll distribution and leave accrual balances.

Management Action Plan

Ensuring timely timesheet submission is assigned to employee supervisors and DTAs. Automated email notifications are built-in to TRS to notify employees and supervisors of any pending timesheet actions.

UCI Central Payroll team will work with OIT to build an ad-hoc timeliness report that can be reviewed by both DTAs and Central Payroll monthly to identify and address timeliness trends.

Due Date: 03/31/2024

2. Leave With Pay Adjustments

Background

Leave with Pay adjustments happens when an employee continues to be paid and maintains existing benefits. UC Policy P-196-13 - Payroll: Attendance, Time Reporting and Leave Accrual Records states, "For staff and academic exempt personnel who are eligible to accrue sick leave and vacation credit, records separately identifying sick leave and vacation accruals, utilizations, and balances must be maintained." [1]

Observation

In PPE March 31, 2023, IAS selected ten campus employees for further review of leave with pay (LWP) hours. Five employees reported, in TRS, 432 LWP hours which were comprised of 312 vacation leave hours, 32 sick leave hours, and 88 paid time off hours, and reported from January 1, 2023 through May 31, 2023. However, as of June 23, 2023, IAS could not locate LWP accrual usage hours posted to the payroll ledger.

Implementation of appropriate internal controls, such as proper and timely monitoring when required, minimizes the risks of payroll errors or inaccuracies. Maintaining accurate vacation leave balances is especially important because when processing the final paycheck for separating employees, they are due a cash

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[1] "University of California Policy P-196-13: Payroll: Attendance, Time Reporting and Leave Accrual Records." *University of California Accounting Manual,* effective Jan 2020, https://policy.ucop.edu/doc/3410255/AM-P196-13

out of their vacation balance. Not reporting vacation usage inflates the final amount due the employee upon separation.

Management Action Plan

The observations noted identify timesheet submissions that remain in "Submitted to Supervisor" status that did not process through UCPath payroll against the appropriate employee details.

DTAs should be auditing for and addressing timesheets not fully processed through UCPath payroll. UCI Central Payroll will institute a monthly review of timesheet statuses and follow up with corresponding DTAs to ensure that timesheets are moved through the full lifecycle as appropriate.

Due Date: 1/31/2024