

granting access rights outside of job function increases the likelihood and possibilities of misappropriations.

Recommendation to Internal Control Weakness 1

JAA should immediately review and modify the access rights of the timekeeping and payroll system to ensure that all accounts are unique to assigned employees and that the assigned rights are consistent with their job functions. Going forward, JAA needs to create policy and procedures on performing and documenting periodic reviews of the access rights.

Additionally, consideration should be given to making the Information Technology Division responsible for granting and changing user access based on approvals from the Finance and Human Resources Divisions.

JAA Response to Internal Control Weakness 1

Agree Disagree Partially Agree

JAA has deactivated the shared Employee Relations user account in the timekeeping system and has purchased additional manager licenses. All HR employees have their own manger license and can access the time keeping system with their own user account. JAA has started the process of reviewing and setting up new access rights in the payroll/benefits system. JAA will also create a SOP for reviewing access rights.

Internal Control Weakness 2 *Lack of Sign-off and Approval of Time Worked for Salaried Employees*

There was a lack of controls over reporting and approving of time worked by salaried employees. Based on the practice at the time of our audit, salaried employees did not attest to the hours or days worked, and supervisors were not required to approve time worked or leave taken in the timekeeping system. The payroll and timekeeping system defaults to 80 hours worked per pay period for them and was only adjusted on an exception basis for leave taken. This default makes sense from a processing standpoint; however, without the employees attesting to and supervisors being required to review and approve time worked there is an increased chance of the employee failing to submit leave.

Recommendation to Internal Control Weakness 2

We recommend that JAA requires all supervisors to electronically approve time worked and leave taken by their employees. Also, salaried employees should attest to hours worked to assist in confirming completeness of leave requests.

JAA Response to Internal Control Weakness 2

Agree

Disagree

Partially Agree

JAA currently requires all employees, both hourly and salaried, to submit leave requests for approval on a JAA Leave Request Form. The forms are reviewed, and if approved, are signed by both the employee and Manager. The Manager then enters the leave taken into the timekeeping system, and sends the leave slips to Human Resources. Human Resources conducts an audit to ensure that leave hours are deducted from the leave balances maintained in the system. The forms are currently being filed in the employee's personnel file. Future system upgrades will support the request, routing and approval of leave electronically. JAA will not require exempt employees to attest to hours worked each week or each pay period. Requiring weekly or pay period attestation would be contrary to FLSA parameters associated with exempt employees pay being for work done versus hours worked. Additionally, the JAA does not employ a Compensatory Time practice for employees as many governmental agencies may. This type of practice may require a more stringent policy to track actual time worked for exempt employees.

Council Auditor Rebuttal to JAA Response to Internal Control Weakness 2

In regards to JAA's stance on the issue related to the attesting to hours worked by the exempt employees, we still stand by our recommendation. We disagree with JAA's statement that "requiring weekly or pay period attestation would be contrary to FLSA parameters." It is important to note that while nothing in FLSA requires an employer to have exempt employees track and record hours worked, there is nothing that states this would impact the exemption status. In fact, in the Preamble to the *Defining and Delimiting the Exemptions for Executive, Administrative, Professional, Outside Sales and Computer Employees; Final Rule* issued on April 23, 2004 by the Department of Labor, Wage and Hour Division there is language which states the following:

We agree that employers, without affecting their employees' exempt status, may take deductions from accrued leave accounts; may require exempt employees to record and track hours; may require exempt employees to work a specified schedule; and may implement cross-the-board changes in schedule under certain circumstances.

Overall, requiring employees to track and record hours worked is a good business practice. This practice facilitates better tracking of accrual and usage of leave whether paid (e.g. vacation time) or unpaid (e.g. Family and Medical Leave Act) as well as a better comparison of employee productivity. Lastly, given that JAA is a government agency that operates from public funds, there is an increased level of transparency and documentation necessitated.

Internal Control Weakness 3 *Missing or Inadequate Standard Operating Procedures*

While we found that JAA had standard operating procedures (SOPs) to cover many functions and processes, we found the following issues with SOPs:

1. There were no written SOPs for the payroll function in the Finance Division.