



Council Auditor's Office

Follow-up Report on the Audit of JTA Payroll

Report #763A

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OFFICE OF THE COUNCIL AUDITOR
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Honorable Members of the City Council
City of Jacksonville

The purpose of this report is to document our follow-up review of past report #763, Jacksonville Transportation Authority's (JTA) Payroll Function, to determine whether or not corrective action has been taken in response to our findings and recommendations. We are providing this special written report in accordance with Ordinance Code Section 102.102. This report does not represent an audit or attestation conducted pursuant to Government Auditing Standards.

We sent a follow-up letter to the JTA's CFO on November 28, 2016 inquiring as to the status of the original audit report recommendations. We reviewed the recommendations from our audit report, the auditees' responses to the recommendations, and the auditees' responses to our follow-up letter. We then performed limited testing to verify JTA's responses. Based on the responses received and our follow-up testing, here is a table detailing the original number of issues noted and how many have been resolved as of this follow-up.

Types of Issues	Original Number of Issues	Issues Cleared	Remaining Issues
Internal Control Weaknesses	9	5	4
Findings	8	8	0
Opportunities for Improvement	7	7	0
Total	24	20	4

The following is a brief summary of the remaining issues with responses from JTA that we received on March 7th, 2018.

Internal Control Weakness 1 *Improper Segregation of Duties *

In the original audit, we found that the Payroll area was tasked with processes that, when combined with regular payroll processing, created a weak internal control structure. Specifically, we noted that the Payroll area sometimes made changes to drivers' time information in the HASTUS timekeeping system (used for Bus Drivers) and was required to manually enter times from the ADP timekeeping system (used for all other employees) into the payroll system. We also noted that Payroll had the ability to make changes to employee timecards in the ADP timekeeping system, had access to blank paychecks and was involved in the distribution of checks.

Because an employee who has control over all steps of the process from when employee time is logged to when payment is distributed could commit fraud without detection, we recommended that Payroll no longer have the ability to make changes in the timekeeping systems and that their level of access in these systems be read-only.

We recommended that JTA make sure that its new payroll system, a component of its new Enterprise Resource Planning (ERP) system, would allow for both the HASTUS and ADP systems to be interfaced with the payroll system so that there would not be a manual transfer of time data. Also, JTA needed to remove the Payroll area from involvement with the printing and distribution of checks.

While JTA did interface the systems to allow for the automated transfer of time data, the Payroll area is still directly involved in the printing and distribution of payroll checks. This involvement includes the printing of checks and the creation of the positive pay file along with the distribution of some checks. Additionally, payroll staff still have the ability to make changes in the timekeeping systems.

JTA Response to the Follow-Up of Internal Control Weakness 1

Agree Disagree Partially Agree

JTA Management takes the recommendations by the Council Auditor's Office seriously and have made drastic improvements to significantly decrease the number of internal control weaknesses since the original audit. Using a phased approach, JTA completed the HASTUS upgrade (timekeeping system used for operators) which allowed JTA to eliminate manual processes and further automated the transfer of time data directly into the Oracle payroll system. The next phase is to complete the procurement process to evaluate the options available for timekeeping systems for all other employees. The updated timekeeping system will allow for increased functionality and read-only access for Payroll. In order to mitigate the risks associated with printing and distributing paper checks, JTA has increased its efforts to offer electronic forms of payment to all employees - either direct deposit into a bank account or issuing a paycard. The setup with the bank is completed for paycards and information and training sessions will occur during the 2nd quarter of 2018.

Internal Control Weakness 2 *Improper Access Rights in the Payroll and Timekeeping Systems*

In the original audit, we found numerous access rights issues within the payroll and both timekeeping systems. We noted that all four Payroll employees had excessive and/or conflicting access rights within the systems. These employees were charged with processing payroll while having the capability of making changes to the attendance information within the timekeeping systems. Furthermore, these employees charged with processing payroll had the capability of making salary rate changes. Additionally, we found numerous non-Payroll employees had excessive and/or conflicting access rights within the timekeeping and payroll processing systems. There were also several active user accounts for former employees in all three systems.

We recommended that JTA periodically review the appropriateness of the access rights granted to users of the timekeeping systems and the payroll processing system and make revisions where needed to properly segregate functions. We also recommended that JTA review the process of disabling

information system access rights for employees who have been terminated, and determine whether a more automated notification process is possible.

During our follow-up we noted that JTA had established procedures related to terminations, including implementing periodic access rights reviews. However, these procedures and periodic reviews were limited to general system (network) access and did not include access to specific applications (e.g. timekeeping and payroll systems) or specifically apply to employee transfers (e.g. an employee moves from payroll to operations and no longer needs payroll access).

JTA Response to the Follow-Up of Internal Control Weakness 2

Agree Disagree Partially Agree

JTA Management is currently completing the procurement process to evaluate the options available for timekeeping systems for administrative employees. The updated timekeeping system will allow for increased functionality while providing Payroll with limited access to the attendance information. Further, JTA Management is committed to continuously strengthening its review of access to specific applications.

Internal Control Weakness 3 *Lack of Sign-Off by Drivers to Support Time Worked *

In the original audit, we noted an unwritten policy that if the bus drivers work their regular schedule, they are not required to submit a timecard or sign-off on anything confirming the time worked. On the other hand, if they work more or less time during the regularly scheduled day, then they are required to submit a timecard. Because this created situations where the drivers were not always attesting to the hours worked, we recommended that JTA require that drivers acknowledge in writing (or electronically) that they actually worked the time that was recorded in the HASTUS timekeeping system.

Based on discussion with JTA staff and a review of JTA's SOPs during the follow-up, it appears the drivers are still not required to attest to hours worked if they work their regularly scheduled shift. However, JTA has stated that the HASTUS system has a kiosk function that would allow the drivers to sign in and out that JTA is considering whether to implement the function.

JTA Response to the Follow-Up of Internal Control Weakness 3

Agree Disagree Partially Agree

In July 2017, JTA completed an upgrade of the HASTUS scheduling system. This upgrade provides additional functions that were not available in the previous version of HASTUS. JTA's Operations team is currently working with the vendor to implement a self service module in HASTUS such that operators will have the ability to sign in and sign out attesting to their hours worked. The CFO has made the funding available for FY18 to implement these features in HASTUS.

Internal Control Weakness 6 *No Automated Process for Calculating and Tracking Bus Driver Leave*

In the original audit, we noted that the process for calculating and tracking bus driver leave time (both vacation leave and sick leave) was a highly manual process. The scheduling planners review driver information and determine the amount of vacation leave each driver has earned. All driver vacation leave is entered into the HASTUS system once per year by the Operations Area. This is done in conjunction with the route scheduling process. Sick leave was manually accrued and tracked by the Payroll area in a spreadsheet.

These manual processes increase the risk of human error and intentional manipulation of employee leave data. As such, we recommended that JTA enhance the current driver timekeeping system so that it has the capability to automatically track bus driver vacation and sick leave.

As part of our follow-up testing, we reviewed the HASTUS system upgrades performed by JTA and found that they were still unable to track both driver vacation and sick leave in the system. Driver vacation leave is still calculated manually and entered into the HASTUS system once per year. On the other hand, sick leave is now automatically accrued in the Payroll system at a rate of one (1) day per month (per union contract). Payroll tracks the use of sick leave and is responsible for granting approval upon request. JTA stated they are still working with the vendor to determine if a solution is available for the automation and tracking of driver vacation leave.

JTA Response to the Follow-Up of Internal Control Weakness 6

Agree

Disagree

Partially Agree

As discussed in ICW #3 above, JTA has approved the funding for the additional phase of the HASTUS upgrade. In addition to the ability of drivers being able to approve their time, vacation and sick accruals will be able and automatically tracked in this system and intergration into Oracle. This enhancement will eliminate manual processes and decreases the risk of potential human error.

We would like to thank the Jacksonville Transportation Authority for their cooperation in conducting this follow-up review.

Sincerely,

Kyle S. Billy

Kyle S. Billy, CPA
Council Auditor