

# **AUDITOR'S REPORT**

## **HARRIS HEALTH SYSTEM KRONOS TIME AND ATTENDANCE SYSTEM – POST IMPLEMENTATION FOUR MONTHS ENDED FEBRUARY 28, 2014**



**December 4, 2014**

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**BARBARA J. SCHOTT, C.P.A.**  
**HARRIS COUNTY AUDITOR**

December 4, 2014

Mr. George Masi  
President and Chief Executive Officer  
Harris Health System  
2525 Holly Hall  
Houston, Texas 77054

RE: Harris Health System Kronos Time and Attendance System – Post Implementation for the four months ended February 28, 2014

The Audit Services Department performed procedures relative to the Harris Health System Kronos Time and Attendance System (Kronos) – Post Implementation. The objective of the engagement was to evaluate critical automated and manual controls relative to Kronos. The following procedures were performed.

- Met with employees in Information Technology, Human Resources, the Nurse Scheduling Department, and the Payroll Department to obtain an understanding of operating procedures and controls for Kronos.
- Reviewed policies and procedures for granting and terminating Kronos user access.
- Selectively tested critical controls in Kronos for allocating employee hours to the correct pay codes.
- Selectively tested critical controls for reporting, reviewing, and approving employee hours in Kronos.
- Reviewed and evaluated controls for transmitting employee pay hours from Kronos to the PeopleSoft payroll system for processing.

The engagement process included providing former President and Chief Executive Officer, David Lopez with engagement and scope letters and conducting an entrance and exit conference with Harris Health System personnel. The purpose of the letters and conferences were to explain the process, identify areas of concern, describe the procedures to be performed, discuss issues identified during the engagement, and solicit suggestions for resolving the issues. A draft report was provided to you and your personnel for review.

The enclosed Auditor's Report presents the significant issues identified during our procedures, recommendations developed in conjunction with your staff, and any actions you have taken to

Mr. George Masi  
President and Chief Executive Officer

implement the recommendations. Less significant issues and recommendations have been verbally communicated to your staff.

We appreciate the time and attention provided by you and your staff during this engagement.

Sincerely,



Barbara J. Schott  
County Auditor

cc: Harris Health System Board of Managers  
District Judges  
County Judge Ed Emmett  
Commissioners:  
    R. Jack Cagle  
    El Franco Lee  
    Jack Morman  
    Steve Radack  
Devon Anderson  
Vince Ryan  
William J. Jackson

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## OVERVIEW

Harris Health replaced its employee payroll timekeeping system with the Kronos Time and Attendance System (Kronos) in April 2012. Kronos is a web-based application for recording employee time worked each bi-weekly pay period and provides Harris Health managers with automated capabilities for monitoring and approving employee hours worked.

Kronos allows managers to record work schedules for their employees in advance of a pay period. Employees with work schedules that do not change may have their schedules carried forward each pay period. However, employees with work schedules that change may require that their schedules be updated each pay period. As a result, some large departments where employee schedules change use non-management employees assigned as timekeepers to assist with scheduling and other timekeeping tasks. Timekeepers can be assigned to perform scheduling and timekeeping tasks for individual employees, or for all of the employees in a department.

Scheduling and timekeeping for nurses that provide inpatient nursing care is centralized in the Clinical Resources and Support Department. The Clinical Resources and Support Department also uses an additional Kronos module, the Workforce Scheduler, which provides enhanced scheduling capabilities. The Workforce Scheduler module allows nurses to request their work schedules in Kronos, and provides nursing administration the ability to implement staffing plans throughout Harris Health.

Harris Health requires employees that are classified as non-exempt under the U.S. Department of Labor Fair Labor Standards Act to record their work arrival and departure times (record *date and time stamps*) in Kronos using electronic time clocks or computer terminals. Kronos automatically compares the hours that the employees record as worked during the pay period to schedules in Kronos. Kronos reports differences, or exceptions, which must be evaluated and approved by managers or timekeepers before the payroll is processed.

Exceptions are approved when managers or timekeepers access Kronos and record that they have examined the exceptions. Exceptions may require the correction of employee date and time stamp errors (for example, if the exception was the result of an employee forgetting to record a date and time stamp). Timekeepers are able to record correcting date and time stamps and may be assigned to several departments to perform corrections. For example, timekeepers in the Clinical Resources and Support Department have access to multiple departments to allow centralized processing of time and date stamp correction for nurses.

The status of approving exceptions is monitored by employees in the Payroll Department (Payroll) using Kronos reports. Payroll employees monitor the clearing of exceptions and will contact managers if required to remind them to clear their employee's exceptions to prevent a delay in processing payroll.

Kronos summarizes employee hours worked each pay period on electronic timecards. Managers of employees must evaluate and approve the timecards in Kronos before payroll can be processed. Managers are permitted to delegate their timecard approval authority to another manager if needed. However, timekeepers are not authorized to approve timecards. Payroll employees also monitor the approval of timecards using Kronos reports and will contact managers if required to remind them to approve timecards.

Employees classified as exempt are not required to record date and time stamps unless they are instructed to do so by their managers, but may need to have their schedules adjusted occasionally to accurately record certain benefit hours. Managers and timekeepers are trained to record the adjustments when they receive access to Kronos.

All employees are automatically provided access to Kronos to allow them to record and view their work hours, request paid time off, and produce reports that are available to employees. Managers are provided access to Kronos after completing training on how to schedule employees, approve timecards, approve employee requests for time off, and perform management monitoring activities. Access required by timekeepers, Payroll employees, nursing administrators, or outside contractors, must be requested and approved by management at the director level or higher, and the access that has been provided is reviewed twice a year to verify it is still required.

Kronos automatically allocates employee hours worked into the correct pay classifications, or “pay codes” (i.e. regular pay, overtime, shift differential, etc.). The allocations are determined by the employee’s job, which is classified with similar jobs into one of nine pay rule categories. Pay rule categories determine how hours worked are allocated into pay codes in accordance with Harris Health pay policies and recorded date and time stamps.

Employees in Payroll review reports available from Kronos each pay period before payroll is processed to identify and investigate possible errors in time reported. When Payroll employees complete their review, hours and pay codes are transmitted from Kronos to the PeopleSoft Payroll Module which computes each employee’s pay. Hours and pay codes are transmitted on the Monday after the end of the bi-weekly pay period which ends on Saturday. Reconciliations are performed by employees in Payroll to verify a complete and accurate transmission of data.

## RESULTS

Based on procedures performed, critical automated and manual controls appear adequate for:

- Granting user access to Kronos.
- Allocating employee hours recorded in Kronos to the correct pay classifications, or pay codes (i.e. regular pay, overtime, shift differential, etc.).
- Reporting, reviewing, and approving employee hours in Kronos.
- Transmitting employee pay hours from Kronos to the PeopleSoft Payroll Module, which computes employee pay.

Although controls reviewed were working effectively, some opportunities for additional controls were identified as follows:

- There should be monitoring to ensure that timekeepers have not approved employee timecards because of improper delegation of approval authority by a manager.
- There should also be monitoring to ensure that only employees that are permitted to work from remote locations are recording date and time stamps and performing work outside of Harris Health facilities.
- Requirements for the timely recording of employee termination dates should be enforced through training and monitoring for compliance.
- Written procedures should be developed and timekeepers should be trained to document and obtain approval for date and time stamps they record for other employees.

These and other issues are discussed in more detail in the following Issues and Recommendations matrix.

## ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
Delegating Timecard Approval	According to guidelines included in Kronos training provided to managers, managers can delegate their timecard approval authority to other managers, but timekeepers are not authorized to approve timecards. System controls in Kronos do not prevent managers from delegating approval authority to timekeepers. Information Technology (IT) Management informed us that the Kronos application service provider does not plan to implement automated controls in Kronos that would prevent managers from delegating approval authority to timekeepers.	<p>Kronos system controls do not prevent managers from delegating timecard approval to timekeepers and Harris Health has not implemented monitoring procedures to ensure timecards are not approved by timekeepers.</p> <p>As a result, there is not a preventative application control or a monitoring mechanism in place to identify policy violations. One instance was identified during the four months ended February 28, 2014, where timecard approval was delegated to a timekeeper for one pay period and the timekeeper approved 10 timecards, not including their own.</p> <p>The timecards approved were compared to timecards for the same employees in</p>	<p>IT Management should develop reports in Kronos to identify timecards approved by timekeepers. The reports should be reviewed by Human Resources employees. Managers identified that improperly delegated authority, including the manager identified by Audit Services, should be trained, counseled, or subject to disciplinary action as appropriate.</p> <p>In addition, consideration should be given to distributing a general communication to all managers reminding them that timekeepers are not authorized to approve timecards.</p>	<p><b><u>IT Management Response:</u></b> A report has been developed and is now available in production that identifies timecards approved by timekeepers. This report is currently being accessed and utilized by Payroll, who reviews and if necessary, conducts a follow up with any individuals who have inappropriately delegated or approved time.</p> <p>IT ACTION - COMPLETE</p> <p><b><u>Human Resources Management Response:</u></b> Human Resources shall send periodic communiques to management and timekeepers reminding each of policy and the appropriate actions for each roll. In addition, Human Resources shall work with Payroll to ensure that inappropriate actions are documented with</p>

## ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
(Continued) Delegating Timecard Approval		other pay periods, and the time approved by the timekeeper did not appear inappropriate.		the employee and supervisor.
Monitoring of Date and Time Stamp Locations	<p>Kronos reports identify whether employees record date and time stamps at a Harris Health location, or from a location outside of Harris Health (remote location). The reports also identify whether managers/timekeepers access Kronos remotely to correct employee date and time stamps.</p> <p>Harris Health Policy 6.15, <i>Employee Supervision and Time Records</i>, prohibits employees from recording a date and time stamp for another employee. An exception is managers/timekeepers that correct employee date and time stamps.</p> <p>Some employees work</p>	<p>There is no process for monitoring to ensure that only employees permitted to work remotely are recording date and time stamps from remote locations. Using Kronos reports, one non-exempt timekeeper was identified that accessed Kronos from remote locations to perform their job duties (correcting other employees date and time stamps). The employee's time working from the remote locations was not included on their timecards.</p> <p>Not monitoring to ensure that only employees permitted to work remotely are recording date and time stamps from remote locations increases the risk</p>	<p>Human Resources Management should develop procedures for reviewing the reports available from Kronos to ensure that only employees permitted to work remotely are recording date and time stamps from remote locations.</p> <p>In addition, the non-exempt timekeeper that accessed Kronos to work from remote locations should be counseled to discontinue the practice unless they receive authorization from their manager and the time they work is recorded on their timecards. The timekeepers pay should be adjusted to compensate them for the hours previously worked from the</p>	<p><b><u>IT Management Response:</u></b> An online record has been identified and is available for use by Nursing and Payroll that illustrates time stamps outside of the Harris Health network. Nursing has put into place a process for reviewing this online information and following up with employees. Due to the complexity of the data, IT is currently investigating the best way to disseminate and communicate this information to all management.</p> <p>IT ACTION – Nursing and Payroll Report – Complete All Management – currently under assessment.</p>

## ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
(Continued) Monitoring of Date and Time Stamp Locations	remotely and are permitted to record their date and time stamps from remote locations.	that employees may be paid for an incorrect number of hours.	remote locations which were not included on their timecards.	<p><b><u>Nursing Management Response:</u></b>                      Timekeeper was counseled                      May 2, 2014 regarding                      working remotely without                      authorization. Currently, IT                      is assisting with a Kronos                      report dated 5/1/2012 –                      4/30/2014 that reflects each                      time Timekeeper edited a                      timecard from a remote                      location. Nursing will seek                      Payroll’s assistance in                      determining the total amount                      of time for which                      Timekeeper will be paid.                      Final disposition/closure will                      be reported to HR.</p> <p>Anticipated Date of                      Completion: October 1,                      2014</p> <p><b><u>Human Resources Management Response:</u></b>                      Human Resources                      Compensation Division shall                      review Kronos reports at the                      end of each payroll cycle to</p>

## ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
(Continued) Monitoring of Date and Time Stamp Locations				<p>verify that only approved employees are working remotely.</p> <p>The timekeeper who accessed Kronos from home has been counseled regarding this practice. The timekeeper's pay will be adjusted to reflect the hours worked from home.</p>
Recording Terminations Timely	<p>Managers can record an employee's last day of employment (termination date) in the Human Resources Information System (PeopleSoft HR) on-line. Entering termination dates into PeopleSoft HR helps ensure the employee's access to Kronos and other information systems is not extended beyond their last day of employment. Harris Health policy is for managers to record termination dates into PeopleSoft HR as soon as</p>	<p>Managers are not always recording employee termination dates timely into PeopleSoft HR. Out of 40 terminations tested, 20 (50%) were voluntary but were recorded after the employees' termination dates. Ten (50%) of the 20 were entered more than seven days after the termination dates.</p> <p>Not timely recording termination dates increases the risks that employees will access Kronos and other systems after their</p>	<p>Human Resources Management should ensure managers are trained to timely record employee termination dates into PeopleSoft HR. In addition, monitoring should be performed to identify managers not recording termination dates timely so they may be trained or counseled.</p>	<p><b><u>Human Resources Management Response:</u></b></p> <p>Human Resources is sending a communique to managers and directors regarding the timely entry of terminations in the PeopleSoft system (which uploads to the Kronos system). In addition, timely entry of terminations will be emphasized in the PeopleSoft portion of Management Orientation.</p> <p>Human Resources will provide a quarterly report to the Executive Vice Presidents regarding the</p>

## ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
(Continued) Recording Terminations Timely	they are known.	employment ends, possibly for purposes of malicious mischief. In addition, employees not timely terminated may continue to be paid as employees.		timeliness of terminations into the PeopleSoft system.
Providing Guidelines for Timekeepers	Managers authorize timekeepers to access certain employees in Kronos and change the employees' date and time stamps. The manager provides the access by submitting a completed <i>Kronos Security Form</i> to the IT Help Desk. The Form lists the departments or individual employees the timekeepers are authorized to access.	Other than for timekeepers assigned to the Clinical Resources and Support Department, there are no formal procedures for timekeepers to follow to document and obtain approval for changes they record to other employees' date and time stamps. As a result, there is an increased risk that the timekeepers may record unapproved or inappropriate employee date and time stamps, causing the employees to be paid incorrectly.	Human Resources Management should develop formal procedures for documenting and obtaining approval for changes that timekeepers record to other employees' date and time stamps. The timekeepers should be trained on the procedures before they receive access to Kronos.	<p><b><u>Human Resources Management Response:</u></b></p> <p>The Payroll and Human Resources Departments shall update the time-keepers manual to include a documentation procedure for changing, adding, or deleting time records in the Kronos system. The procedure will include acknowledgements from the employee and manager/approver. Also, Human Resources/Learning Resource Center will work with leadership to develop and implement appropriate and standardized Kronos training for timekeepers.</p> <p>The procedure and training documentation will be developed and submitted for</p>

## ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
(Continued) Providing Guidelines for Timekeepers				approval and implementation in December 2014.
Approving Timecard Corrections	Timekeepers in the Clinical Resources and Support Department enter corrections for nurses that forget to record date and time stamps. Nursing's informal procedures require that the corrections be documented on <i>Time Adjustment Forms</i> approved by the nurse's manager. Completed forms are to be submitted to the timekeepers to document approval of the corrections. Timekeepers also accept manager email approvals.	<i>Time Adjustment Forms</i> or emails approving correcting date and time stamps are not always submitted and retained. As a result, documentation for eight of 13 (62%) correcting date and time stamps tested could not be located.  Not obtaining and retaining approved <i>Time Adjustment Forms</i> or emails increases the risk of unauthorized or inappropriate correcting entries.	Nursing Management should enforce procedures for obtaining approval for date and time stamp corrections and require that documentation of the approvals be retained for future retrieval. In addition, nursing policies should be updated to include requirements for documentation and approval of date and time stamp corrections.	<b><u>Nursing Management Response:</u></b> May 5, 2014 Staff Scheduler Huddle was held. The preliminary Kronos audit results were shared with the group. Nursing Policy 380 was updated as recommended. The policy is going through the review and approval process – to include all stakeholders. Clinical Resources and Support Services (CRSS) will retain the time adjustment forms for five (5) years for future retrieval. August 19, 2014, CRSS requested a folder on the S: drive to archive these documents. The staff scheduling coordinators' direct supervisor will be responsible for enforcing the policy and auditing for compliance.

## ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
(Continued) Approving Timecard Corrections				Anticipated Date of Completion: October 1, 2014
Authorizing Overtime	<p>Nursing Policy 380, <i>Nursing Staff Scheduling Guidelines</i>, requires Nursing Directors'/ Program Managers' to approve nurses working outside of the following parameters:</p> <ul style="list-style-type: none"> <li>• Greater than 16 consecutive hours in a 24 hour period.</li> <li>• Greater than 60 hours in a seven-day period.</li> <li>• Greater than four consecutive 12 hour shifts.</li> </ul> <p>Approvals are documented on <i>Overtime Authorization Forms</i>. Alternatively, approvals could be documented in a comments section in the Workforce Scheduler module.</p>	<p><i>Overtime Authorization Forms</i> approving the scheduling or working of nurses outside of the identified parameters are not consistently completed and retained. As a result, <i>Overtime Authorization Forms</i> for eight of 10 nurses (80%) that worked outside of the parameters selected for testing were not available for review.</p> <p>Not obtaining and retaining <i>Overtime Authorization Forms</i> does not comply with Policy and increases the risk that nurses will work outside of the identified parameters without the required approvals.</p>	<p>Nursing Management should enforce the Policy for obtaining and retaining Overtime Authorization Forms. Consideration should also be given to updating Policy 380 to allow approvals to be documented by Nursing Directors/ Program Managers in the comments section in the Workforce Scheduler module.</p>	<p><b><u>IT Management Response:</u></b> IT is currently investigating the opportunity to add an Overtime (OT) Request to the existing Kronos time request process. This request can be used in lieu of managing paper forms and signatures for authorizing OT. This would retain the request and approvals online. Additionally, this will provide a comparative analysis not currently automated that would compare approved OT to actual worked. This could be a benefit to leadership to address staff working outside of their authorized schedule. Currently in discussion with Kronos.</p> <p>Estimated Completion: December, 2014</p>

## ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
(Continued) Authorizing Overtime				<p><b><u>Nursing Management Response:</u></b>                      Nursing Policy 380 was updated as recommended. Documentation of overtime authorization in the comment section of the time card or Overtime Authorization form was communicated to the BTGH Pavilion Nurse Administrative Council (PNAC) 8/20/2014. This change will be communicated to the LBJ PNAC at their next meeting. The policy is going through the review and approval process – to include all stakeholders. Clinical Resources and Support Services (CRSS) will retain the Overtime Authorization forms for five (5) years for future retrieval. August 19, 2014, CRSS requested a folder on the S: drive to archive these documents. The Associate Administrator of Nursing Operations &amp;</p>

## ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
(Continued) Authorizing Overtime				<p>Chief Nursing Officers will be responsible for enforcing the policy. CRSS will audit for compliance.</p> <p>Anticipated Completion Date: October 1, 2014</p>

## RISK ASSESSMENT AND SUMMARY OF RECOMMENDATIONS

The risk matrix below presents the assessed level of risk or exposure identified during our procedures. Inherent risk relates to factors that because of their nature cannot be controlled or mitigated by management. Inherent risk includes factors such as legislative changes, number and dollar amount of transactions processed and/or complex nature of transactions. Control risks relate to factors that can be influenced or controlled by management. Controls such as policies and procedures, electronic or manual approvals, system security access, and separation of job responsibilities may be instituted by management in order to mitigate control risk. Control risk is assessed during the planning phase in order to establish the nature, timing, and extent of testing and at the conclusion of the engagement in order to incorporate actions taken to implement our recommendations. The overall risk considers a combination of inherent and control risks.

<b>Inherent Risk:</b>	<b>Control Risk:</b>		<b>Overall Risk:</b>
<input checked="" type="checkbox"/> High <input type="checkbox"/> Moderate <input type="checkbox"/> Low	<b>Prior to Procedures</b>	<b>After Procedures</b>	<input checked="" type="checkbox"/> High <input type="checkbox"/> Moderate <input type="checkbox"/> Low
	<b>Adequate</b>	<b>Adequate</b>	
<b>Type of Procedures:</b> Audit			
<b>Purpose:</b> To evaluate critical automated and manual controls relative to the Kronos Time and Attendance System – Post Implementation.			
<b>Outstanding Audit Recommendations:</b>			
<b>Priority Rating:</b>	<b>Audit Recommendations:</b> Harris Health System		
1	Develop reports in Kronos to identify timecards improperly approved by timekeepers. Review reports and managers identified that improperly delegate authority should be counseled and subject to disciplinary action if necessary. Consideration should be given to distributing a general communication to all managers reminding them that timekeepers are not authorized to approve timecards.		
1	Develop procedures for reviewing reports available from Kronos to ensure only employees permitted to work remotely are recording date and time stamps from remote locations. The non-exempt timekeeper that accessed Kronos to work from remote locations should discontinue the practice unless they receive authorization from their manager and the time they work is recorded on their timecards. Their pay should be adjusted to compensate them for the hours previously worked from the remote locations which were not included on their timecards.		
1	Ensure managers are trained to timely record employee termination dates into PeopleSoft HR. In addition, monitoring should be performed to identify managers not recording termination dates timely so they may be counseled.		
1	Develop written procedures and provide training to timekeepers on how to document and obtain approval for changes		

	they record to other employees' date and time stamps. The training should be provided before they receive access to Kronos.
1	Enforce procedures for obtaining approval for date and time stamp corrections and require that documentation of the approvals be retained for future retrieval. In addition, formal nursing policies should be updated to include requirements for approval and documentation of date and time stamp corrections.
1	Enforce the Policy for obtaining and retaining Overtime Authorization Forms. Consideration should also be given to updating Policy 380 to include the practice of allowing approvals to be documented by Nursing Directors/ Program Managers in the comments section in the Workforce Scheduler module.
<b>Priority Rating</b>	<ol style="list-style-type: none"> <li>1. <b>Implement immediately (30 – 90 days)</b> – Serious internal control deficiencies; or recommendations to reduce costs, maximize revenues, or improve internal controls that can be easily implemented.</li> <li>2. <b>Work towards implementing (6 – 18 months)</b> – Less serious internal control deficiencies, or recommendations that can not be implemented immediately because of constraints imposed on the department (i.e., budgetary, technological constraints, etc.).</li> <li>3. <b>Implement in the future (two – three years)</b> – Recommendations that should be implemented, but that can not be implemented until significant and/or uncontrolled events occur (i.e., legislative changes, buy and install major systems, requires third party cooperation, etc.).</li> </ol>