

SAN BERNARDINO COUNTY
AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR
INTERNAL AUDITS DIVISION



ARROWHEAD REGIONAL MEDICAL CENTER:
HOLIDAY ACCRUAL FOLLOW-UP AUDIT

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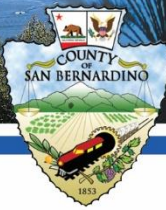
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Arrowhead Regional Medical Center: Holiday Accrual Follow-up Audit

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San Bernardino County



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July 31, 2023

William L. Gilbert, Hospital Director
Arrowhead Regional Medical Center
400 North Pepper Avenue
Colton, CA 92324-1819

RE: Holiday Accrual Follow-up Audit

We have completed a follow-up audit of the Arrowhead Regional Medical Center's (ARMC) holiday payroll for the period of October 1, 2021, through December 31, 2021. The objective of the audit was to determine if the recommendations for the findings in the ARMC Holiday Accrual Audit report dated June 10, 2020, have been implemented. We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.


We have provided a status of the audit findings identified in the original audit report issued on June 10, 2020. Of the three recommendations from the original audit report, all three have been partially implemented.

We sent a draft report to ARMC on May 4, 2023. ARMC's responses to the current status of our recommendations are included in this report.

We would like to express our appreciation to the personnel at ARMC who assisted and cooperated with us during this engagement.

Respectfully submitted,

Ensen Mason CPA, CFA
Auditor-Controller/Treasurer/Tax Collector
San Bernardino County

By: 
Denise Mejico, CFE
Chief Deputy Auditor

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Date Report Distributed: July 31, 2023

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Scope and Objective

Our audit examined the time recording of all ARMC employees for eight holidays from October 1, 2021, through December 31, 2021.

The objective of this follow-up audit was to determine if the Department implemented the recommendations contained in the prior audit report, *ARMC Holiday Accrual Audit* issued on June 10, 2020.

Methodology

In achieving the audit objective, the following procedures were performed, including but not limited to:

- Review of the General Memorandum of Understanding (MOU) 2019-2023 (General MOU)
- Review of the Nurses Unit and Per Diem Nurses Unit MOU 2021-2024 (Nurses MOU)
- Review of the Professional Unit MOU 2020-2024 (Professional MOU)
- Interviews of ARMC Staff
- Analysis of the payroll entries of all ARMC employees for eight holidays

The General MOU, Nurses MOU, and Professional MOU were renegotiated prior to our follow-up audit. Relevant guidelines remained unchanged in the renegotiated MOUs and did not affect the findings identified in the original audit. The current General MOU, Nurses MOU, and Professional MOU were used in our follow-up audit.

Prior Finding 1: Hours were not properly recorded on holidays.

The General MOU 2015-2019 (General MOU), the Nurses Unit and Nurses Per Diem Unit MOU 2018-2021 (Nurses MOU), and the Professional Unit MOU 2016-2019 (Professional MOU) state that when a fixed holiday falls within a vacation period or other period of paid leave, the employee should record holiday for that time. The Nurses MOU additionally states that in no instance shall an employee be permitted to use vacation, sick leave, or other paid leave time on a fixed holiday that the employee is not scheduled to work in order to accrue the holiday leave.

The General MOU, Nurses MOU, and Professional MOU allow for employees to use vacation or other appropriate paid leave time on a fixed holiday up to an amount that, if combined with the employee's holiday accrual, would equal the total number of hours the employee would have been scheduled for that day; only if the holiday falls on a workday and the employee has an alternate work schedule or is in a part time position.

The General MOU and Nurses MOU state that whenever an employee is required to work on a fixed holiday or the fixed holiday falls on an employee's regularly scheduled day off, the employee shall accrue up to a total of 8 hours floating holiday time. Holiday straight time payment can be made in lieu of accrual. Employees scheduled to work on a holiday but who call off sick shall code holiday leave for that day.

Holiday time counts as hours worked toward overtime and service hours whereas holiday straight time is a payment which can be made to the employee in lieu of accruing holiday time.

The following conditions were identified when we reviewed 34,364 payroll entries:

- There were 246 instances of employees recording less hours than their holiday accrual on a holiday.
 - In 177 instances, this caused the employees to incorrectly accrue holiday time.
 - In the other 69 instances, the employees recorded holiday straight time in lieu of accruing holiday time. However, since holiday straight time does not count as hours worked, these employees may not have been properly paid for overtime.
- There were 198 instances of employees recording paid or unpaid leave instead of holiday.
 - In 183 instances, this caused the employees to incorrectly accrue holiday time.



- In the other 15 instances, the employees incorrectly recorded holiday straight time and paid leaves instead of holiday, these employees received overpayments totaling approximately \$2,180.
- There were 22 instances of employees recording holiday straight time and holiday time equaling more than their holiday accrual. This occurred on holidays that were not worked and resulted in approximately \$3,420 of overpayments.
- There were 8 instances of employees recording holiday time in addition to regular hours and paid leaves in excess of their scheduled workday. This resulted in approximately \$700 of overpayments, potentially including overtime payments for which the respective employees were ineligible.

Upon retirement or separation from the County, employees are compensated for any unused accrued holiday time. In comparison, vacation hours have a maximum accumulation, which will vary, based on the length of the employee's service and their trade unit. Both administrative and annual leave do not accumulate beyond the 26th pay period of each year. Although sick leave does not have a maximum accumulation, unused sick leave is not payable upon separation from the County except as a percentage at retirement. Recording vacation, administrative leave, annual leave, or paid sick leave on a holiday would enable employees to continue accumulating all of their holiday hours. This would increase the value of the holiday leave payout when an employee separates from County employment.

An incomplete review by supervisors of employees' time on holidays can cause employees to be paid against guidelines established in the MOU. When payroll guidelines are not followed, employees may accrue additional holiday time and inappropriately increase their final payout upon separation from the County or receive overtime and overpayments for which they were not eligible. Alternatively, employees may not have been properly paid for overtime for which they were eligible.

Recommendation:

We recommended management and supervisors review the payroll guidelines established in the appropriate MOU and communicate these guidelines to employees. In addition, we recommended supervisors review time entries on holidays and the time recording codes entered for those pay periods more closely. We also recommended ARMC coordinate with the Human Resources Department to determine how to make the necessary adjustments to employees' pay and leave balances.

Current Status: Partially Implemented

ARMC implemented a process to create reports which assist ARMC-Payroll in reviewing time reporting, identifying potential errors, and making corrections. A training was held by ARMC to review and communicate payroll guidelines and proper holiday time reporting with staff. Additionally, an email is distributed by ARMC-Payroll to all staff reminding them to follow guidelines established in the appropriate MOU prior to each holiday. However, ARMC did not coordinate with the Human Resources Department to make the necessary payroll adjustments for the conditions identified in the prior audit report as of the date of fieldwork.

The following conditions were identified when we reviewed 20,980 payroll entries:

- There were 8 instances of employees recording less hours than their holiday accrual.
 - In all 8 instances, the employees recorded holiday straight time in lieu of accruing holiday time. However, since holiday straight time does not count as hours worked, these employees may not have been properly paid for overtime.
- There were 28 instances of employees recording paid or unpaid leave instead of holiday.
 - In 27 instances, this caused the employees to incorrectly accrue holiday time.
 - In 1 instance, the employee incorrectly recorded holiday straight time and paid leaves instead of holiday. This employee received an overpayment of \$92.
- There were 5 instances of employees recording holiday straight time and holiday time equaling more than their holiday accrual. This occurred on holidays that were not worked and resulted in approximately \$929 of overpayments.
- There were 2 instances of employees recording holiday time in addition to paid leaves in excess of their scheduled workday. This resulted in approximately \$370 of overpayments, potentially including overtime payments for which the respective employees were ineligible.

Management's Response:

ARMC-Human Resources(HR)/Payroll took measures to reduce the errors in holiday coding by implementing the following:

- Trainings for supervisors and management
- Creating and distributing payroll guide to all Kronos users



- Contracted with a new timekeeping system which allows the creation of additional reporting capabilities, new queries, and work rules to correctly credit the holiday accrual for 72-hr and other part-time employees
- ARMC-Payroll staff were retrained in holiday reporting and audits
- ARMC-HR created bi-weekly training “Kronos Korner” for all ARMC timekeepers, supervisors, and managers focusing on auditing time in Kronos
- ARMC-HR will be introducing a new bi-weekly training “HR- Table Talk” to review HR related topics/benefits
- ARMC-HR Payroll staff have been assigned to review each payroll entry and applicable payroll adjustments continue to be processed

Auditor’s Response:

ARMC’s actions and planned actions will correct the deficiencies noted in the finding.

Prior Finding 2: Time recorded exceeded the daily hours allowed.

The Nurses MOU states that when employees work concurrently in regular or per diem positions, they shall not schedule work in the per diem position during the time they are scheduled to work in the per diem or regular position, nor will employees use paid or unpaid leave time from their per diem or regular position in order to work in the per diem position.

The General MOU and Nurses MOU state that an employee shall not receive standby or on call compensation once an employee begins work. Therefore, in no circumstance should the number of hours for standby or on call combined with regular time equal more than 24 hours, per day. Being paid for standby or on call hours once an employee’s shift starts results in an overpayment of payroll.

The following conditions were identified when we reviewed 34,364 payroll entries:

- There were 5 instances of an employee recording regular time, holiday time, and on call in a Supervisory Nurses position and a Per Diem Nurses position for the same hours. The employee’s combined hours exceeded 24 hours in 1 day.
- There were 2 instances of employees recording 48 hours of on call or standby time in addition to 8 hours of holiday time in 1 day, for a total of 56 hours recorded in a 24-hour period.
- There were 2 instances of employees recording a combination of regular, holiday, vacation, and on call or standby exceeding 24 hours in 1 day.

An incomplete supervisory review of time for employees with regular and per diem positions, standby, and on call hours can result in employees being paid against the guidelines established in the MOU. When payroll guidelines are not followed, employees may receive overpayments. This could also accelerate employee's annual vacation allowances by incorrectly increasing their service hours.

Recommendation:

We recommended management and supervisors review MOU guidelines regarding dual position employees, standby compensation, and on call compensation and communicate these guidelines to employees. We also recommended supervisors who approve time closely review their employees' time entries for employees with standby and on call compensation in addition to employees in dual positions. Lastly, we recommended ARMC review standby compensation, on call compensation, and employees in dual positions for the entire year and coordinate with the Human Resources Department to determine how to make the necessary payroll adjustments.

Current Status: Partially Implemented

ARMC implemented a process to create reports which assist ARMC-Payroll to review time reporting, identify potential errors, and make corrections. A training was held by ARMC to review and communicate payroll guidelines with staff. An email is distributed by ARMC-Payroll to all staff reminding them to follow guidelines established in the appropriate MOU prior to each holiday. However, a review of standby compensation, on call compensation, and employees in dual positions for the entire year was not performed. ARMC did not coordinate with the Human Resources Department to make the necessary payroll adjustments for the conditions identified in the prior audit report as of the date of fieldwork.

There were 3 instances in our review of 20,980 payroll entries of employees recording a combination of regular, holiday, vacation, and on call or standby exceeding 24 hours in 1 day.

Management's Response:

ARMC-HR/Payroll took measures to reduce the errors in holiday coding by implementing the following:

- Trainings for supervisors and management
- Creating and distributing payroll guide to all Kronos users



- Contracted with a new timekeeping system which allows the creation of additional reporting capabilities, new queries, and work rules to correctly credit the holiday accrual for 72-hr and other part-time employees
- ARMC-Payroll staff were retrained in holiday reporting and audits
- ARMC-HR created bi-weekly training “Kronos Korner” for all ARMC timekeepers, supervisors, and managers focusing on auditing time in Kronos
- ARMC-HR will be introducing a new bi-weekly training “HR Table Talk” to review HR related topics/benefits
- ARMC-HR Payroll staff have been assigned to review each payroll entry and applicable payroll adjustments continue to be processed

Auditor’s Response:

ARMC’s actions and planned actions will correct the deficiencies noted in the finding.

Prior Finding 3: Differentials did not agree to hours worked.

The Nurses MOU and General MOU state that employees eligible for an Intensive Care differential shall be given that differential for all hours actually worked. The Nurses MOU states that employees eligible for the Specialty Unit Floating Differential shall be given that differential for all hours actually worked.

There were 9 instances in our review of 34,364 payroll entries of employees recording Intensive Care Differential or Specialty Unit Floating Differential without matching hours worked which resulted in overpayments of approximately \$280.

An incomplete review of employees’ differential compensation can allow employees to be paid against the guidelines established in the MOU. When guidelines are not followed, employees may receive unauthorized payments.

Recommendation:

We recommended management and supervisors review the MOU guidelines regarding differentials and communicate those guidelines to employees. In addition, we recommended supervisors who approve time review their employees’ differentials more closely. We also recommended ARMC review differential compensation for the entire year and coordinate with the Human Resources Department to determine how to make the necessary payroll adjustments.

Current Status: Partially Implemented

ARMC implemented a process to create reports which assist ARMC-Payroll to review time reporting, identify potential errors, and make corrections. A training was held by ARMC to review and communicate payroll guidelines with staff. An email is distributed by ARMC-Payroll to all staff reminding them to follow guidelines established in the appropriate MOU prior to each holiday. However, a review of differential compensation for the entire year was not performed. ARMC did not coordinate with the Human Resources Department to make the necessary payroll adjustments for the conditions identified in the prior audit report as of the date of fieldwork.

There were 9 instances in our review of 20,980 payroll entries of employees recording Intensive Care Differential or Specialty Unit Educator Differential without matching hours worked which resulted in overpayments of approximately \$215.

Management's Response:

ARMC-HR/Payroll took measures to reduce the errors in holiday coding by implementing the following:

- Trainings for supervisors and management
- Creating and distributing payroll guide to all Kronos users
- Contracted with a new timekeeping system which allows the creation of additional reporting capabilities, new queries to catch discrepancies between hours worked and differentials
- ARMC-HR Application Specialist was assigned to run a secondary audit in addition to the Fiscal Specialist audit to reduce differential errors
- ARMC-HR created bi-weekly training "Kronos Korner" for all ARMC timekeepers, supervisors, and managers focusing on auditing time in Kronos
- ARMC-HR will be introducing a new bi-weekly training "HR Table Talk" to review HR related topics/benefits
- ARMC-HR Payroll staff have been assigned to review each payroll entry and applicable payroll adjustments continue to be processed

Auditor's Response:

ARMC's actions and planned actions will correct the deficiencies noted in the finding.