

# POST AUDIT DIVISION

## POST AUDITS SUBCOMMITTEE MEMBERS

SENATE MEMBERS	HOUSE MEMBERS
President, Mitch Carmichael	Tim Armstead, Speaker
Ed Gaunch	Timothy Miley
Roman Prezioso	Eric Nelson Jr.



MAY 22, 2018  
LEGISLATIVE LETTER REPORT

## DEPARTMENT OF HIGHWAYS - *Payroll*

### GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS STATEMENT

#### POST AUDIT STAFF CONTRIBUTORS

Aaron Allred..... Legislative Auditor  
Stanley Lynch..... Deputy Director  
Nicholas Hamilton ..... Senior Auditor  
Rita Rummel..... Auditor

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (**GAGAS**). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**WEST VIRGINIA LEGISLATURE**  
*Joint Committee on Government and Finance*

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**Aaron Allred**  
**Legislative Manager**

May 22, 2018

The Honorable Mitch Carmichael, President  
West Virginia State Senate  
Post Audits Subcommittee, Co-Chair  
Room 229 M, Building 1  
State Capitol Complex  
Charleston, WV 25305

The Honorable Timothy Armstead, Speaker  
West Virginia House of Delegates  
Post Audits Subcommittee, Co-Chair  
Room 228 M, Building 1  
State Capitol Complex  
Charleston, WV 25305

Dear Mr. President and Mr. Speaker:

During the January 2018 interim meeting of the Post Audits Subcommittee, the Legislative Auditor presented a report regarding the Division of Highways' (DOH) noncompliance with Division of Personnel's rules regarding employee pay for workweeks that included both overtime and paid leave hours. Although not included as an audit objective, during this audit we noted 8 of the 96 bi-weekly pay periods (8 percent) in our audit sample contained data-input errors resulting in inaccuracies in employee pay. Therefore, the Legislative Auditor decided to conduct additional audit procedures that would determine the frequency and significance of such data-entry errors for the entirety of DOH payroll<sup>1</sup>.

DOH field supervisors are responsible for manually recording employee work and leave hours on time records referred to as D-12 forms. At the end of each workday or the following

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<sup>1</sup> The error rate noted in the overtime audit could not be projected to infer inaccuracies in the entirety of employee pay resulting from data-input errors for any given period since the audit sample was neither randomly selected nor were pay periods with no overtime subject to possible inclusion in the sample.

workday, the D-12s are forwarded to designated “timekeepers” who then enter the hours into the Kronos electronic time & attendance software used by state agencies in conjunction with wvOASIS. For Fiscal Year 2017, the Legislative Auditor compared the hours on the D-12s to the hours entered into Kronos to determine the extent and significance of data-entry errors made by the timekeepers.

The Legislative Auditor reviewed 117 individual bi-weekly employee pay periods,<sup>2</sup> totaling approximately \$179,000 in gross pay, for Fiscal Year 2017. The D-12s and Kronos records were compared for these 117 pay periods and errors were noted in the recording of hours in Kronos for five bi-weekly timesheets resulting in \$585 in erroneous payments. Notably, the errors for overpayments were more than three times the underpayments at \$454 versus \$131, respectively. Assuming the errors noted in our audit are consistent for the entire \$198 million in DOH payroll during the fiscal year, it can be projected that approximately \$617,000 in errors were made during the fiscal year, as shown in the table that follows:

	<b>Overpayments</b>	<b>Underpayments</b>	<b>Absolute Value</b>
<b>Projected<sup>3</sup></b>	\$479,000	\$138,000	\$617,000
<b>Error Rate<sup>4</sup></b>	0.254%	0.073%	0.327%

Though these payroll errors could be viewed as immaterial from a financial auditing perspective since they represent only 0.327% of the \$198 million in DOH payroll for Fiscal Year 2017, the projected error total for Fiscal Year 2017 of \$617,000, as well as the potential for similar errors in subsequent years, is significant and warrants some consideration.

A cost-effective internal DOH audit verification procedure would have the effect of encouraging vigilance in the data-entry process by timekeepers when entering data. It would also discourage any potential fraudulent activity that might otherwise occur due to potential collusion

<sup>2</sup> Each employee that received pay during each respective pay period is equivalent to one unit for sampling purposes. For example, Employee A for the pay period 7/9/2016 through 7/22/2016 would equal one sample unit.

<sup>3</sup> The projections in the table are the midpoints of a predicted range of overpayments, underpayments and the absolute value of all erroneous payments based on the audited statistical and random sample selected from the entire population of payroll for Fiscal Year 2017. The parameters of the sample selection and projection of the sample results, including such factors as confidence level, precision range, and estimated anticipated error rate, are included in the audit workpapers.

<sup>4</sup> Error rates calculated by dividing dollar value of errors noted by dollar value of the sample selected for the audit

between a timekeeper and an employee whose hours the timekeeper is responsible for entering in Kronos. However, it is important to note that we did not observe any evidence of fraudulent activity during this audit.

Although the Legislative Auditor has concluded payroll errors resulting from data-entry can be mitigated through an additional layer of review, it's imperative the cost of the instituted verification process not exceed the perceived benefit of having such a procedure.

**Recommendation:**

The Legislative Auditor recommends DOH select, on a rotating basis, a limited sample of timekeepers each pay period and require either a second keying of data entered, or a visual verification of the data entered in Kronos by matching work and leave hours recorded on D- 12s to hours entered in Kronos. The procedure should be performed by an individual other than the timekeeper who originally keyed the data in Kronos.

The Legislative Auditor also recommends DOH review the instances of incorrect payroll noted in the audit and correct those employees' pay in the instances of underpayment and determine the method to correct the overpayments through their legal counsel.

Sincerely,



Aaron Allred



**WEST VIRGINIA**  
**DEPARTMENT OF TRANSPORTATION**  
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Jim Justice  
Governor

Thomas J. Smith, P. E.  
Cabinet Secretary

May 22, 2018

Stanley Lynch  
West Virginia Legislature  
Joint Committee on Government and Finance  
1900 Kanawha Blvd., E  
Room E-132  
Charleston, West Virginia 25305-0610

Dear Mr. Lynch:

Thank you for your letter, dated May 11, 2018, in reference to data input errors resulting in employee pay inaccuracies.

Below are our responses related to the recommendations provided by the Legislative Auditor regarding payroll data input errors for employees of the Division of Highways:

*“The Legislative Auditor recommends DOH select, on a rotating basis, a limited sample of timekeepers each pay period and require either a second keying of data entered, or a visual verification of the data entered in Kronos by matching work and leave hours recorded on D-12s to hours entered in Kronos. The procedure should be performed by an individual other than the timekeeper who originally keyed the data in Kronos.”*

The WVDOH Audit Division regularly conducts reviews similar to the process recommended by the Legislative Auditor. The Audit Division staff runs reports from our REMIS system, pull the DOT-12's and compares the information to the employee's time reports. There have been no material findings reported. However, we agree with the Legislative Auditor this needs to be an ongoing process and we will continue to monitor.

*“The Legislative Auditor also recommends DOH review the instances of incorrect payroll noted in the audit and correct those employees' pay in the instances of underpayment and determine the method to correct the overpayments through their legal counsel.”*

**Stanley Lynch**  
**West Virginia Legislature**  
**Joint Committee on Government and Finance**  
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The WVDOH strives to ensure our employees are compensated accurately for their time worked. We agree with the Legislative Auditor the employees' who were paid inaccurately needs to be corrected. Our payroll staff will make the necessary corrections and will work with our Audit Division staff going forward should there be any other inaccuracies noted.

Thank you for the opportunity to respond to this audit. Should you require additional information, please do not hesitate to contact me.

Best Regards,



**Carla P. Rotsch**  
**Deputy Secretary/DOT**  
**Business Manager / DOH**

**CPR:D**

**cc: CC**