

CityNet (Kronos)
December 2008

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City Auditor's Office

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Honorable Mayor and Members of the City Council:

I am pleased to present the City Auditor's Office's report on CityNet (Kronos) timekeeping within the City of Arlington. The audit objective was to evaluate the efficiency and effectiveness of the timekeeping system.

Management's response to our audit findings and recommendations, as well as target implementation dates and responsibilities are included in the following report.

We would like to thank the Financial Services and Information Technology Departments for their full cooperation and assistance during the project.

A handwritten signature in cursive script that reads 'Patrice Randle'.

Patrice Randle, CPA
City Auditor

c: Jim Holgersson, City Manager
Fiona Allen, Deputy City Manager
Bob Byrd, Deputy City Manager
Gilbert Perales, Deputy City Manager
Trey Yelverton, Deputy City Manager
Louis Carr, Information Technology Director
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Executive Summary

Kronos access is based on job responsibilities

Time entry appears to be properly approved

Interface between Lawson and Kronos appears accurate and properly approved

User satisfaction has increased

Payroll and Information Technology operations are more efficient

Opportunities for Improvement

- ***Segregation of duties between input and approval of time records***
- ***Training***

As Part of the 2007 Annual Audit Plan, the City Auditor's Office has conducted an audit of the Kronos timekeeping software system. Kronos is part of CityNet, the Lawson enterprise management system that processes City of Arlington finance, purchasing and payroll. The audit was conducted in accordance with generally accepted government auditing standards. The objectives of the audit were to determine whether:

- Employees involved with the Kronos timekeeping activity were given access based on their job responsibilities
- Employee time entry was properly approved prior to being processed by payroll staff
- Employees abused the seven-minute rule in order to get paid overtime
- Employees used time clocks within their designated work area
- The information flow between Lawson and Kronos was accurate and properly approved
- The Kronos timekeeping system is operated efficiently with regard to Payroll and Information Technology personnel who work with the system
- Employees have become more comfortable using the Kronos system over the past year

Two weaknesses were noted during this audit. There was no segregation of duties between entering/editing and approving employee time records. Also, the City Auditor's Office noted that a large percentage of users did not participate in training classes offered by the Information Technology (IT) Department.

The findings and recommendations are discussed in the "Detailed Audit Findings" section of this report.

Audit Scope and Methodology

The City Auditor's Office reviewed transactions and time records during the period of April 7, 2008 through July 27, 2008. A comparison between the previous Distributed Time and Attendance system and Kronos was also performed.

The audit was conducted in accordance with generally accepted government auditing standards. The following methodology was used in completing the audit:

- Interviewed employees within the Financial Services and Information Technology Departments to gain an understanding of how Kronos operates
- Updated the July 2007 Kronos questionnaire and obtained current feedback and ideas about the system to determine if the process has become more efficient and more effective since implementation
- Obtained a listing of employees who have access to Kronos as a timekeeper or manager
- Performed tests to ensure that time entry records are properly approved and documented by supervisory personnel prior to being processed by the payroll division
- Performed tests to ensure that employees are not abusing the seven-minute rule in order to get paid overtime (e.g., when an employee clocks in and out for the day, the time is rounded to the nearest quarter hour)
- Performed tests to ensure that employees used the time clock in their designated area and/or had supervisory approval to use a time clock in a different area
- Ensured that personnel and payroll information transferred from Kronos to Lawson is adequately documented, properly approved and accurate
- Discussed the similarities and differences between the previous Distributed Time and Attendance system and Kronos with IT personnel to determine if it was beneficial to change to the new Kronos timekeeping system

Background

In February 2006, the City of Arlington implemented the Kronos timekeeping software system. Prior to implementing Kronos, City employee time and attendance was captured on a mainframe Distributed Time and Attendance system. Also, according to IT personnel, the previous Distributed Time and Attendance system was near the end of its useful life. In order to continue using the system, major programming changes would have been necessary in the area of system security.

In July 2007, the City Auditor's Office sent a questionnaire to City departments to obtain their feedback regarding the new timekeeping system. There were 32 respondents to the questionnaire. When asked what problems departments encounter with Kronos, the following answers were provided:

- None (53.1%)
- System is slow (28.1%)
- System locks up (25.0%)

Examples of some additional comments made by respondents included:

1. Holiday hours slow to be deposited for non-exempt employees, resulting in adjustments
2. Shift differential hours must be entered manually
3. Time clock does not always read the employee ID swipe
4. Timekeepers can not enter their own sick or vacation time
5. Can not separate substantiated from unsubstantiated sick leave
6. Can not make a correction to a previous pay period
7. Excessive manual entries due to the seven-minute rule

The respondents were also asked how the majority of staff felt that Kronos compared to the previous system. Some of the answers included:

- Less time consuming (28.1%)
- More time consuming (34.4%)
- More accurate (34.4%)
- Less accurate (9.4%)

Examples of some additional comments made by respondents include:

- Employees fear that the employee ID swipe will not register on the clock
- Employees will forget to swipe their employee ID card which requires an adjustment
- Basic dissatisfaction with having to clock in and clock out
- Better reports than the old system
- Seven-minute rules results in overtime or manual edits of the time records
- System works well with department structure and needs
- Can not see available accrual balances in real time

There were mixed feelings concerning the effectiveness and efficiency of the new timekeeping system. In June 2008, as part of the audit process, the respondents were asked to update their responses to the aforementioned questionnaire to see how they felt the system had improved over the past year. In many instances, the responses were positive; however, there were still some negative comments. There were also some additional suggestions from the departments inquiring about Kronos functionality. The City Auditor's Office sent the updated responses to the IT Department for further review and analysis during IT's implementation of a Kronos upgrade. Also, some of the repeated survey comments could be addressed by the IT Department through an on-going training program.

Audit Results

The City's purchase of the Kronos timekeeping system appears to have resulted in a more effective and efficient timekeeping process. A comparison between the previous Distributed Time and Attendance system and Kronos revealed that the two timekeeping systems have many similarities, as well as differences. The similarities include:

- Both systems are decentralized – most of the timekeeping activity (time entry, editing, approving, etc.) is performed at the departmental level
- Each employee is identified by a specific code which is used to identify him/her within the timekeeping system
- Regular employee work schedules can be automatically set-up in both systems with only exception time entered
- Supervisory approval of time entry must be documented prior to being sent to payroll for processing
- Timekeepers are responsible for entering and editing time records while supervisors are responsible for approving the time records
- Multiple timekeepers and managers are designated for each department in case the primary user is out of the office (illness, vacation, etc.)
- Regular employee holidays are system-generated when the holiday occurs. Some employees, including Police and Fire, can delay taking holiday time. Delayed holidays are entered when the holiday is actually taken

Some of the differences between the Distributed Time and Attendance system and Kronos are shown in the following chart.

Distributed Time and Attendance	Kronos
Departmental timekeepers entered new employee information	Payroll personnel enter new employee information
Departmental timekeepers could make retroactive corrections to employee time records	Payroll personnel make retroactive corrections
The system did not always identify the employee who performed edits to an employee's time card	Kronos registers the ID of persons making any entry to an employee's time card
Part-time employee records were input manually and the process was very labor intensive	Part-time employees swipe their ID card and there is no manual process
Calculated sick leave balances	Does not calculate sick leave balances because the calculation accrual segment was not purchased by the City

The new system (Kronos) increases internal control. Sensitive information, such as new employee set-up, is now being maintained and entered by payroll personnel. Retroactive corrections must be documented and approved by management and are then entered by payroll. All entries or edits to an employee's time card are stamped with the user ID of the person making the entry which increases

accountability. The fourth difference results in a significant increase in efficiency. By allowing part-time employees to swipe their employee ID card, input time is decreased and the number of corrections caused by human error is reduced.

Detailed Audit Findings

1. Segregation of duties is not always evident between entering/editing time records and approving those same records.

A review was performed to determine which employees were responsible for entering and editing time records and who was responsible for reviewing and approving those entries. Some employees, usually executive secretaries or office assistants, are set up in the system as timekeepers. The timekeeper's responsibility is to enter and edit time records for other employees within their area. Other employees, usually managers or supervisors, are set up in the system as managers. The manager's responsibility is to review and approve time records prior to payroll processing. These two duties should be segregated so that one person can not edit and also approve an employee's time records. Proper segregation of duties preserves the integrity of the timekeeping system.

During the course of this audit, segregation of duties was not always evident. A review was performed which included 125 employee time records from various departments and various position levels. The review covered eight pay periods from 04/07/08 through 07/27/08. Employees were selected at random to determine who was authorized to enter/edit and approve employee time. Of the 125 records reviewed, 60 did not appear to provide an adequate segregation of duties. The employee responsible for entering/editing time could also approve the same records. Some examples include:

<u>Department</u>	<u>Process Level</u>	<u>Ability to Input</u>	<u>Ability to Approve</u>
Community Services	Housing Authority	1566 / 2138	1596 / 2138 / 2513
Fire	Training	1599 / 2597	1599
Parks	Asset Management	1612 / 2125	2125
Police	Admin Services	1044 / 1442	1442 / 1934
Water	Water Admin	1269 / 1860	1269 / 1860

As shown above, the user ID of the employee authorized to input is also allowed to approve. Therefore, one person has the ability to perform both duties without further departmental review. During this review, there were 10 instances noted where the same employee actually edited and approved another employee's time records.

Recommendation:

Management should ensure that segregation of duties is maintained between input/edit of employee time records and review/approval of those records.

Management's Response:

Concur. Kronos user access and security is reviewed by the IT Department on a regular basis as a part of its daily business. A complete, system-wide security access review of Kronos was conducted in the summer of 2008 with input from and in consultation with the various user departments. As a result of this review a number of areas for improvement were identified and recommended, and corresponding changes to specific departmental user access profiles were

made. Another thorough review of Kronos user access and security will be conducted to ensure current settings are correct.

Target Date: 04/30/2009

Responsibility: Tom Wilson, Information Technology Manager

2. Employees with timekeeper or manager responsibilities did not take advantage of training that was provided by the IT Department.

After the Kronos timekeeping software was implemented, the IT Department scheduled several sessions in order to get the timekeepers and managers trained on the use of the system. During 2007 and 2008, there were 20 training classes available. Each class had a capacity of 18 attendees; therefore, a total attendance capability of 360 employees. However, the training sign-in sheets obtained from the IT Department showed that only 160 employees had taken advantage of the training. The 160 employees that attended a training session only make up about 40 percent of those who should have been trained. Also, according to a list obtained from the IT Department, as of June 2008, there were 403 employees with a license code of either timekeeper or manager. These are the employees who have the capability of editing other employee's time records.

During the July 2007 survey, two people from each department were asked to sign the questionnaire - the person completing the questionnaire and a supervisor. There were 32 responses to the questionnaire; therefore, 64 employee signatures. Out of the 64 people signing the questionnaire, only 28 had attended the Kronos training. Several of these employees had responded with negative feedback, but had not attended a training session. Comments regarding the new Kronos timekeeping software included "more time consuming", "less accurate", "fear that employee swipes do not work" and "loss of functionality", etc. Some additional comments/questions related to the following: 1) deposit of holiday hours for non-exempt employees; 2) manual entry of shift differential hours; 3) cross-over midnight schedules; 4) accounting for lunch-time not taken; and 5) manual entries relating to the 7-minute rule. These comments could be due to not attending a training session and not receiving information distributed to employees. According to IT personnel, those employees who attended a training session make very few errors and are more willing to call and verify that they have performed input correctly. If more people responsible for the operation of the timekeeping system had attended a training session, this may have alleviated some negative comments regarding the system.

Recommendation:

The IT Department should schedule additional Kronos training sessions. Management should require that employees designated as timekeepers or managers attend one of the sessions in order to properly equip them in the use of the system and to help alleviate the negative perception of the timekeeping system.

Management's Response:

Concur. As part of the recently completed upgrade to Kronos version 6.0, a formal training initiative was undertaken to ensure all employees who accessed and/or entered time for one or more employees were trained on the regular use of the new version. This training initiative took place during a two-week timeframe in late September 2008, just prior to the early October 2008 go-live. These sessions were well attended by the appropriate COA employees. In addition, a regular training curriculum and schedule for newer Kronos users will be established, with training made available on a quarterly basis. Developed training materials would target the various user types within Kronos including Managers/Supervisors, web-in employees, and clock-swipe employees.

Target Date: 04/30/2009

Responsibility: Tom Wilson, Information Technology Manager