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Office of the County Auditor

**Shelly A. Banks, C.P.A.**

Cook County Auditor

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July 7, 2014

The Honorable Toni Preckwinkle, President  
And Board of Cook County Commissioners  
118 N. Clark Street, Room 537  
Chicago, Illinois 60602

Dear President Preckwinkle and Board of Commissioners:

We have conducted an audit of payroll. We conducted our audit in accordance with the [Cook County Auditor Ordinance](#).

The scope and objectives of the audit were designed to test the payroll record keeping procedures for four departments: Public Defender, Law Library, Facilities Management, and Animal Control.

Please refer to the following audit report for the results of the audit. The audit report contains 3 audit findings. The [Executive Summary](#) provides an overview of the audit with the main finding areas.

We express our appreciation for the cooperation department staff extended to our Office during the course of our audit. We have discussed our findings with department staff and would be pleased to discuss our recommendations in greater detail in order to assist with the implementation of our recommendations.

Respectfully Submitted,

Shelly A. Banks, CPA

Cook County Auditor

cc: Tracey R. Ladner, Bureau Chief Human Resources  
Rebecca Strisko, Deputy Bureau Chief Human Resources  
Lawrence Wilson, Comptroller  
John Schick, Deputy Comptroller  
John Cooke, Director Capital Planning & Policy  
Bilqis Jacobs-El, Director Facilities Management



COOK COUNTY GOVERNMENT  
OFFICE OF THE COUNTY AUDITOR

Payroll Audit

Internal Audit Report

Report Date: July 2014

Issued By:  
Shelly A. Banks, County Auditor

Audit Conducted By:  
Mark Wehren, Field Auditor  
Max Majothi, Field Auditor  
William Carroll, Audit Supervisor

## **EXECUTIVE SUMMARY**

The scope and objectives of the audit were designed to test the payroll record keeping procedures for four departments: Public Defender, Law Library, Facilities Management, and Animal Control.

We noted the following findings in regards to the internal control structure:

- There is a lack of standardized payroll and timekeeping processes and procedures across the County.
- There are numerous payroll codes and no specific guidelines for usage of the codes.
- In the Facilities Management Department, there is a lack of controls, oversight and consistency for overtime usage.

The findings noted were presented to the audited departments as well as to the Office of the Comptroller and the Bureau of Human Resources. Please refer to the [Findings](#) section for more detail on the findings with the management responses, corrective action plans and estimated completion dates.

## **BACKGROUND**

Each office/department within the County is responsible for collecting the time and attendance for each of its employees and processing their own time and attendance records through payroll. Payroll processing occurs simultaneously for all County departments every two weeks for the previous pay period. The manner in which time and attendance is collected by each office varies across the County, including vendor and internally developed systems.

The County is pursuing a countywide effort to streamline the time and attendance reporting function through an automated process. The goal is to reduce the amount of manual processing of time and attendance and to improve the accuracy of reporting; thereby ensuring accurate payroll processing.

## **AUDIT SCOPE AND OBJECTIVES**

Our objectives were designed to assess the payroll and timekeeping accounting, record keeping and internal control procedures for four departments: Public Defender, Law Library, Facilities Management, and Animal Control. Our objectives included:

- Verifying that Department payroll and timekeeping policies are consistent with Cook County policies.
- Verifying that Department payroll and timekeeping policies are being adhered to within the department.
- Verifying that Department time off (leave) records are properly documented and approved.
- Verifying that Department overtime and comp time records are properly documented and approved.
- Verifying that employee work hours are properly documented.
- Verifying that proper access rights are assigned for entering payroll.
- Reconciling actual payroll amounts to timekeeping records.

## FINDINGS

### **Finding #1:**

There is a lack of standardized payroll and timekeeping processes and procedures across the County. With the lack of standardized policies and procedures, errors may occur in the payroll system and departments may not have the proper internal controls in place to ensure that payroll and timekeeping is handled appropriately.

The audit testing revealed a few exceptions to maintaining the proper documentation to support payroll and timekeeping transactions. The exceptions were reported to the individual departments so that they would be aware to prevent the issues in the future.

### **Recommendation**

We recommend that through the implementation of a new payroll system and new time and attendance system that the Bureau of Human Resources and the Office of the Comptroller implement standardized processes and procedures.

### **Management Response**

#### Bureau of Human Resources:

We agree. As part of the implementation of the new system, management is looking at policies and procedures to ensure consistent county-wide practices. In addition, BHR is responsible for approving leaves of absence, including leaves under the Family Medical Leave Act ("FMLA"), parental leave policy, and Victims' Economic Security and Safety Act ("VESSA"). Currently, upon approval of these types of leave, we communicate to the department the appropriate pay codes to use in the system. Hopefully, this information will alleviate some confusion in how employees should be coded while on a leave of absence. This initiative is ongoing and has an anticipated completion date of January 2016.

#### Comptroller:

Management agrees with the finding. The Comptroller's Office Payroll Department will continue to conduct annual County-wide timekeeper training sessions which include the issuance of an updated comprehensive user guide for time entry manual. The Comptroller's Office Payroll Department will continue to work with the timekeepers on bi-weekly basis to ensure the accuracy of payroll. The Comptroller's Office did create an internal payroll procedure manual in FY 2013 to address a FY 2012 external audit finding. The Comptroller's Office will continue to work with the Bureau of Human Resources to have more standard and efficient County-wide human resource and payroll procedures in conjunction with the current payroll upgrade project and the planned time and attendance project.

### **Finding #2:**

There are numerous payroll codes and no specific guidelines for usage of the codes. Departments will utilize the same code for different payroll transactions. We noted errors in the Payroll system due to Departments utilizing codes that should not have been used to record payroll transactions. Exceptions noted with the payroll codes were reported to the Office of the Comptroller to be appropriately addressed.

### **Recommendation**

We recommend that with the implementation of the new Payroll System that the Office of the Comptroller review the payroll codes and eliminate unnecessary codes as well as add the proper edits to ensure that codes are used only for the intended purpose.

### Management Response

Management agrees with the finding. Starting in FY 2014, the Comptroller's Office and the Bureau of Human Resources will conduct an annual review of the payroll codes to ensure they're accurate and used properly. The Bureau of Finance and the Bureau of Human Resources have started to review the payroll codes in conjunction with the current payroll upgrade project.

### **Finding #3:**

In the Facilities Management Department, there was a lack of controls, oversight and consistency for overtime usage during the period reviewed. From our review of the overtime usage, we noted the following:

- Overtime was not properly documented, i.e. no punch card to support actual time worked.
- Overtime does not have proper management oversight to ensure it is fairly distributed, essential to operations and paid in accordance with policies and agreements.
- An excessive amount of overtime was compensated without any documented management analysis as to the necessity to department operations. In fiscal year 2013, \$898,933.54 was paid in overtime from which \$231,803.31 was paid in double time.
- The Collective Bargaining Agreements allow for employees to be paid for being called back to work outside of their regularly scheduled shift or on their scheduled days off for a minimum of two (2) hours pay at the applicable rate; and to be paid for any bargaining unit work started a minimum of four (4) hours pay at the applicable rate. During our review, we were informed that employees were being paid two hours of overtime simply for receiving or making a phone call in connection with overtime without actually showing up to work.
- Overtime may not always be applied in the most economical manner to support operations.

### Recommendation

We recommend the following controls be implemented to improve the controls and usage around overtime:

- Management perform periodic analysis of overtime usage to verify the necessity to operations and that it is applied fairly as required by Collective Bargaining Agreements.
- Management should approve overtime especially in areas where a large amount of overtime is being incurred. Management issued a new policy in February 2014 requiring director or deputy director approval for overtime.
- Employees incurring overtime should be required to punch in/out at the respective locations. Overtime should not be earned unless it is supported with a punch card. Management issued a new policy in May 2014 requiring employees to punch in/out to earn overtime.
- Employees should only be paid call back pay if they are required to return to the worksite.
- Due to the large dollar amount of overtime paid, management may want to pursue other options to more effectively and efficiently manage the budget. Other options could include opportunities that would provide cost savings during peak periods and a more efficient use of time that would still ensure the best coverage for County buildings/facilities.

### Management Response

Management agrees with this recommendation and has begun the process to implement. The following are the corrective actions with completion dates.

- New overtime Punch Policy/approval process has been implemented as of April 14, 2014.
- Posting and transparency of overtime allocation to ensure improved Management oversight that OT is being issued per the CBA is in process and will be implemented before July 30, 2014.

- In order to more effectively and efficiently manage the budget so that overtime is used when needed and not so volatile to how many sick days or snow days occur within a year, Management will review other options such as seasonal flat rate contracts and/or posting bids with in-house staff for seasonal shifts to address peak demands without incurring overtime. Other options are necessary to ensure the budget is better managed and not so unpredictable due to seasonal demands in a fiscal year. In order to keep the budget on track, a new process will be implemented by October 1, 2014.
- Additionally, we will be working with the unions to have more cross training of staff to allow for the ability to cover different facilities if someone is off sick. Right now one of the main factors affecting the budget is the unforeseen number of sick days employees may take in a fiscal year. The County has an initiative to effectively manage sick time usage. To support this initiative and run an efficient budget, we will work with the unions within the guidelines of the CBA to implement the most practical solutions.