



## Douglas County Internal Audit

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August 24, 2015

Douglas County Board of Commissioners  
1819 Farnam Street, Suite LC2  
Omaha, NE 68183

Attention: Mary Ann Borgeson, Mike Boyle, Jim Cavanaugh, Clare Duda, Marc Kraft,  
PJ Morgan, and Chris Rodgers

Thomas F. Cavanaugh, Douglas County Clerk/Comptroller  
Patrick Bloomingdale, Douglas County Chief Administrative Officer  
1819 Farnam Street  
Omaha, NE 68183

Dear Commissioners, Mr. Cavanaugh, and Mr. Bloomingdale:

I have completed a performance audit of employee attendance tracking. The purpose of the audit was to assess the adequacy and effectiveness of the controls in place that ensure the employee absences are properly authorized by management and the absences are properly reflected in the payroll records and financial statements. The audit revealed that the majority of departments/offices have adequate policies in place. However, opportunities to improve its operations were identified. Specific issues and recommendations for improvement appear in the Findings section below.

### **Background**

Properly recording and classifying time is important to help ensure that the County's employees are paid all and only the amounts due them and the financial statements properly reflect the County's payroll expenses and liabilities. Compensated absences are a significant annual expenditure for Douglas County. The liability for compensated balances for fiscal year 2014 was \$9.16 million which represented 6.5 % of the total liabilities of the County. Tracking and classifying time, including the different types of leave and absences, can be a cumbersome and time-consuming task made more difficult due to the disparate functions and requirements within the County.

### **Objective**

The objectives of the audit included determining that:

- All County offices/departments have policies and procedures in place to administer the resolution approved by the County Board in January of 2012 pertaining to supervisory approval of employee work hours.

- The attendance policies and procedures in place are working effectively.
- The offices/departments have documentation showing proper authorization for their employees' compensated absences.
- Leave balances accurately reflect accrued time-off for each employee.
- The leave liabilities are accurately reflected in the financial statements.

## **Scope**

The scope of the audit covered the period July 2014 through June 2015.

## **Methodology**

The information used by Internal Audit was obtained through analysis of written policies and leave documentation provided by various offices/departments, interviews of staff, and data and reports obtained from the Oracle financial system. The tests included but were not limited to the following steps below:

- An assessment of written and informal policies of County offices/departments.
- Testing individual absences for evidence of supervisory approval including preapproval when appropriate.
- Agreeing documentation provided to Oracle payroll records.
- Recalculating leave accruals in Oracle based upon employee hire dates and leave accrued and taken.
- Assessing the process used to calculate the leave accrued for year-end financial statements.

## **Findings**

### **Policies**

**Criteria:** A January 12, 2012 County Board resolution directed elected officials, department directors and court administrators to develop a process whereby there is assurance and documentation of supervisory review and verification that the time charged for each payroll period is for time and shifts actually worked and any paid time-off is accurately classified. Additionally, Section 1 of Article 15 of the Civil Service Commission Personnel Policy Manual states that vacation leave must be approved by a supervisor prior to time-off.

**Condition:** Internal Audit requested absence and leave policies from all elected officials and department heads in Douglas County. Virtually all of the offices and departmental policies and processes received differed in some respect from each other but did include most if not all the requirements outlined in the Board Resolution and Civil Service policy. It was noted that many of the differences were due to more detailed reporting required to fulfill mandatory regulatory requirements. However, there are some individual policy details that need clarification as they are written or practiced to be in full compliance with the Board resolution and Civil Service policy. Policies were not received nor testing of individual absences conducted for employees

from Juvenile Court or the Juvenile Assessment Center; an assessment of their policies could not be made

Not all offices/departments require formal, written approval of leave before it is taken. This is true of County Administration and GIS. Clarification is needed for policies followed in the District Court and Election Office. District Court policy provides for a vacation payout to bailiffs based upon length of service at the time of their termination of employment. Bailiffs are appointed by judges and do not accrue vacation during their appointed term. Since the bailiffs do not accrue vacation, the County does not have an obligation to the employee to make a vacation payout. The Election Commission has a policy to pay employees 1.5 times their normal wages if their vacation is cancelled. This is not included in the Civil Service policy. Both of these additional payments may require Board approval. (Neither of these policies result in significant payments for the County. Bailiff terminations normally occur only when judges leave the bench. Per consultation with the Election Commission office, the cancelled vacation policy has not been invoked for at least 11 years.)

Testing of individual absences showed that preapproval of leave was not always documented. Forty absences were tested from seventeen different offices/departments. There were four instances where documentation indicated supervisory approval of vacation was given after time was taken. There were twelve instances where the leave forms did not indicate the date the actual vacation leave was approved.

Effect: The County offices/departments are not in compliance with official policy. Without proper documentation, County management cannot be assured that all vacations are being properly approved. Vacation pay may be occurring without the proper authorization.

Cause: The County does not have a process in place to monitor the various attendance policies used throughout the County.

Recommendation: County Administration should work with Human Resources, the Clerk/Comptroller's office, and the County Attorney to clarify the policies and practices used for attendance tracking throughout the County. Develop a consistent process that can be adopted more widely throughout the County. The process should include an easily accessible form that clearly documents the requirements of the leave policy including the dates of leave approval. Consider setting-up a small pilot project using the Oracle Absence module which would capture all required information, including approvals, which would then flow directly into Oracle Payroll processing.

Management Response: County Administration will work with the HR department and the Civil Division of the County Attorney's Office to address the specific issues regarding vacation payouts for bailiffs and cancelled vacation pay at the Election Commission.

County Administration will work with HR, the Clerk/Comptroller and the County Attorney to clarify the appropriate policies and practices that should be implemented County-wide for attendance tracking. I understand that there may be differing dynamics across offices and department, so those may need to be considered as an action plan is developed.

In regards to the proposed pilot project, we do not have enough knowledge at this point to agree or disagree that such a project can or should be implemented. County Administration will consult with the County's I.T. Director and DOT.Comm regarding the proposed set-up of an Absence Module pilot project.

Leave Accrual

Criteria: The financial liability for compensated absences should be accurately reflected in the financial statements

Condition: The process used to record the compensated absences was examined. The process to record the accrual did not include vacation time accrued in the Public Defender's office.

Effect: The financial statement expense and liability for compensated leave was understated in prior years. The Public Defender's office vacation accrual for the 2014/2015 fiscal year is \$247 thousand. The accrual amount in prior years would have been similar.

Cause: The Public Defender's Office does not record their office's vacation accruals in Oracle. Oracle data is used as the starting point to record the leave accrual. The Public Defender's obligation had been overlooked when recording the prior years' liabilities in the financial statements.

Recommendation: Obtain the Public Defender's vacation information each year so that it can be included in the County's leave accrual. It was noted it will be included this year, and the amount agrees with Internal Audit's calculation.

Management Response: The Clerk/Comptroller's office concurs and will continue to obtain all required information.

**Audit Standards**

Internal Audit conducted this audit in accordance with Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing. Those standards require that the audit is planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. Internal Audit believes that the evidence obtained provides a reasonable basis for its findings and conclusions based on the audit objectives. This report was reviewed with the Douglas County Chief Administrative Officer and the Chief Deputy, Douglas County Clerk/Comptroller.

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Internal Audit appreciates the excellent cooperation provided by the managers and staff of the various offices/departments throughout the County. If you have any questions or wish to discuss the information presented in this report, please feel free to contact me at (402) 444-4327.

Sincerely,

Mike Dwornicki  
Internal Audit Director

cc: Paul Tomoser  
Jude Lui  
Richard File  
Mark Rhine  
Kathleen Hall  
Sheri Larsen  
Diane Carlson  
Joe Lorenz  
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