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Office of the County Auditor

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April 15, 2015

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 the Sheriff's Office Department of Corrections Payroll Overtime Processes. We conducted our audit in accordance with the [Cook County Auditor Ordinance](#).

Our objectives for this examination were to assess the policies and procedures and internal controls over overtime usage.

Please refer to the following audit report for the results of the audit. The audit report contains seven (7) audit findings. The [Executive Summary](#) provides an overview of the audit with the main finding areas.

We express our appreciation for the assistance all department staff extended to our Office during the course of our audit. We have discussed our findings with the Sheriff's Office 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: Zelda Whittler, Under Sheriff
Alexis Herrera, Chief Financial Officer, Sheriff's Office



COOK COUNTY GOVERNMENT

OFFICE OF THE COUNTY AUDITOR

Sheriff's Office Department of Corrections Payroll Overtime Processes

Internal Audit Report

Report Date: April 2015

Issued By:
Shelly A. Banks, County Auditor

Audit Conducted By:
Mark Wehren, Field Auditor
Frances M. Roybal, Field Auditor

EXECUTIVE SUMMARY

We examined the overtime earned in the Sheriff's Office Department of Corrections for the time period December 2013 thru July 2014.

The scope and objectives of the audit were designed to assess the internal control procedures for the management and earning of overtime.

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

- The Time Tracker web application system used by the Sheriff's Office for overtime processing does not have controls built in to prevent or detect errors.
- The Sheriff's Office Department of Corrections is not in full compliance with the Collective Bargaining Agreements (CBAs) Section 3.3 Overtime Policy and Procedures.
- Documentation to support overtime incurred and paid was lacking, inconsistent and is not being adequately maintained.
- Proper justification was not provided for the earning of overtime.
- Overtime is not processed in a timely and efficient manner.
- There is no documented payroll supervisory review or reconciliation of overtime entered and paid to prevent or detect errors or abuse.
- Documentation was not provided to support an efficient process for managing the large volume of overtime.

The findings noted were presented to the Sheriff's Office. Please refer to the [Findings](#) section for more detail on the findings with the recommendations, management responses, corrective action plans and estimated completion dates.

BACKGROUND

The Cook County Department of Corrections (CCDOC), which is part of the Office of the Sheriff, is responsible for providing safety and security of inmates, staff, and the public, while operating in accordance with the Constitution of the United States and other applicable laws and regulations.

Staffing of the jail must meet these needs. In addition, the Department of Corrections must adhere to the Department of Justice Agreed Order. As a result of the Agreed Order, more than 600 additional correctional officers were hired. According to the Sheriff's Office, even with additional staffing, overtime is necessary to meet minimum staffing levels after accounting for employees absences due to sickness, vacation, personal, holiday, comp time, etc. and additional personal may also be necessary as circumstances arise.

The Collective Bargaining Agreements for the correctional officers govern the overtime for the Department of Correction employees. In addition to the CBAs, there were additional Letters of Agreement for overtime earned due to shift reliefs and lunch premiums.

The Sheriff's Office Department of Corrections (DOC) total overtime for FY14 was \$36,114,862. The overtime pay amount for the December 2013 through July 2014 period reviewed by the Office of County Auditor totaled \$25,914,348. During this period, overtime pay was earned by 3,896 of 4,344 DOC employees. There were 290 employees (6.68% of all employees) with overtime pay in excess of \$20,000 totaling \$8,019,123 (30.94% of overtime).

AUDIT SCOPE AND OBJECTIVES

The overall scope and objectives were designed to assess that internal control procedures exist for the management and earning of overtime within the Sheriff's Office Department of Corrections. The specific objectives were the following:

- Determine that procedures are in place and are adhered to for managing overtime for correctional officers.
- Determine compliance with existing overtime policies and relevant collective bargaining agreements (CBAs).
- Verify controls for tracking and approval of overtime are in place.
- Validate the process for assigning overtime is in compliance with policies and CBAs.
- Determine if overtime is tracked and reported in an efficient and effective manner.
- Verify the adequacy of management oversight.

FINDINGS

From the period 12/1/2013 thru 7/31/2014, there were 290 employees with overtime pay in excess of \$20,000. From this population, we selected 50 employees totaling \$169,748.06. The following findings are based on the review of the 50 employees.

Finding #1 Time Tracker System

The Time Tracker web application system used by the Sheriff's Office for overtime processing does not have controls built in to prevent or detect errors. During our review of overtime records, the following errors were detected in the system.

- During the audit it was discovered that an overpayment was made for 668.25 hours of overtime or \$29,467.82 for overtime earned on 6/15/14 and included on the pay period ending 7/12/14. The overpayment occurred because 6.75 hours of overtime were entered in the Time Tracker System as 675 hours. The Comptroller's Office was not notified of this error until 9/9/14. The overpayment was repaid on 10/10/14.
- Overtime hours for multiple days were combined and entered into the Time Tracker System as a single day a total of 17 separate times for eight different correctional officers. Overtime hours not entered correctly prohibits management from quickly identifying potential errors or abuse.

Management Response:

- The Time Tracker web application system is used for processing of all payroll records not just overtime. This system was developed internally by CCSO staff, essentially as a band aid pending the implementation of the County automated timekeeping and attendance system, which is underway.
- The continued reliance on a completely manual system to process payroll for nearly 7,000 employees is susceptible to human error.
- The CCSO agrees that this overpayment occurred. This error was discovered by the responsible timekeeper during her internal audit process.
- The employee who received this overpayment repaid the entire amount, and was disciplined for not reporting the error when it occurred.
- Since the discovery of this error the CCSO has added an additional step to payroll processing, which flags overtime in excess of 13 hours in one day.

Management Response (con't):

- The CCSO agrees that this occurred. In February of 2014, all payroll departments within the CCSO were combined. In some instances protocols varied and were assessed and integrated.
- Payroll supervisors met with entire payroll staff to communicate the importance of assigning overtime to appropriate day.
- As a failsafe, overtime hours are annotated on the correct day on the hard copy of the employee's time record. This hard copy is the official record of time for all discipline and Merit Board cases.

Finding #2 Collective Bargaining Agreements

The Sheriff's Office Department of Corrections is not in full compliance with the Collective Bargaining Agreements (CBAs) Section 3.3 Overtime Policy and Procedures.

Section 3.3 indicates that employees are excluded from receiving overtime during the next three months if the employees have (1) used any sick leave when that employee had no accrued sick leave on the books (2) been absent no call or (3) been absent late call without documented justification reasonably acceptable to the Employer, to include but not limited to approved FMLA within the previous three month period. From the 50 employees we tested with overtime in excess of \$20,000 from 12/1/2013 thru 7/31/2014, 4 employees had dock time for reasons prohibited by the CBA and were paid overtime during the subsequent three months.

The CBAs also require that in order to ensure a fair and equitable distribution of overtime, a tracking system which is agreed upon by the Employer and the Union will be created and implemented upon ratification of the CBA. The Sheriff's Office provided a manual log book that is used by each division and stated that the log book has been agreed upon between the CCDOC and the union as the tracking system. The log book is a highly manual process for tracking the large volume of overtime assignments and is not supported with a written policy on the required use of the log book.

Management Response:

- At times, officers were allowed to work overtime contrary to the provision of the CBA. This practice actually saves the County money, because those employees are paid at straight time and not time and one half.
- Nevertheless, we have developed a report that lists employees who are not eligible to work overtime based upon the criteria set forth in the CBA. This report is available to shift commanders to determine an officer's eligibility. Further, we are requiring every officer who falls into this category to sign an acknowledgment that he or she cannot and will not work overtime for 90 days from the date of their infraction.
- The CCSO does not agree with this finding. The log books meets the criteria agreed to in the CBA.
- The CCSO has been working with Lexipol to rewrite its policies for over two years. This includes policies and procedures surrounding the assignment and tracking of overtime. We are continuously focused on assessing and updating general orders.

Auditor's Comment

Overtime pay at straight time would only apply to the pay period when the unpaid leave occurred and not subsequent pay periods for which the employee is still not allowed to earn overtime as stated in the CBA.

The tracking system finding is in regards to the lack of a written policy on the use of the log book. The Sheriff's Office states in their response that they are working on rewriting the policies, which addresses this finding.

Finding #3 Support Documentation

Documentation to support overtime incurred and paid was lacking, inconsistent and is not being adequately maintained. During our review we noted that three forms/reports are used daily by the various business units to report overtime. The three forms/reports used are: Timekeeping/Attendance Form (3-part form), which tracks overtime for the employee; Daily Attendance Sheet, which lists all officers in the unit; and Division/Unit Overtime Hours Issued, which lists all officers working overtime.

During our testing, 49 out of 50 or 98% of the employees tested were missing at least one of the three required forms/reports totaling 789 missing forms.

Additionally, we noted that the reports used to report the daily overtime by business unit are not standardized among the business units which can lead to inconsistencies in the report of overtime amongst business units.

Management Response:

We agree that these records were not made available at the time of the audit. This was due to the fact that the payroll division at the CCDOC was moved several times over the last two years, and records have been stored in various locations due to space constraints. The most recent move which occurred in March of 2014 further consolidated all payroll units into one location. For these reasons we had difficulty locating many of the documents.

Finding #4 Justification

Proper justification was not provided for the earning of overtime for the audit sample. As stated in Finding #3, the three forms/reports noted during the audit were the Timekeeping/Attendance Form (3-part form), Daily Attendance Sheet, and Division/Unit Overtime Hours Issued Sheet. The standard Timekeeping/Attendance form captures the approval by the Supervisor, but not the justification for the overtime. The Sheriff's Office provided an example CCDOC Overtime Justification Memorandum that is used by each division to report the number of officers assigned, number reported for duty, number not on duty and the number assigned for overtime; but the required number of officers is not indicated. The specific memorandums were not provided to support the overtime reviewed during the audit. The memorandum is similar to two other forms that are used for staffing and overtime, which are the Daily Attendance Sheet and the daily staffing and overtime spreadsheet. There is no written policy on the use of the various forms and memorandum to determine which forms/reports/memorandums the divisions are required to complete.

Management Response:

- The CCSO disagrees with this finding. The employee who works the overtime is required to complete the 3-Part form. They are not required to justify the overtime. This is a requirement of the Shift Supervisor.
- The overtime justification memorandum clearly indicates the number of officers assigned to work overtime for each shift and division. The Shift Supervisor bases his/her decision on the daily workload and approves overtime for the number of employees who are needed for each shift.
- The CCSO has been working with Lexipol to rewrite its policies for over two years. This includes policies and procedures surrounding the assignment and tracking of overtime. We are continuously focused on assessing and updating general orders.
- Overtime is required when staffing shortages are identified. The vast majority of staffing shortages are due to unplanned medical time take by staff.

Auditor's Comment

The Sheriff's Office states that the Shift Supervisor bases his/her decision on the daily workload and approves overtime for the number of employees who are needed for each shift. The finding indicates that

in the documentation reviewed for the audit sample there was no evidence of the justification or the basis for the decision for the overtime incurred.

Finding # 5 Overtime Processing

Overtime is not processed in a timely and efficient manner. During our review of overtime records, the following control deficiencies were noted:

- Timekeepers are not receiving Timekeeping/Attendance Forms in a timely manner for input to the Time Tracker System, which causes errors in posting the overtime and delays in paying the overtime. The system is currently structured to have overtime earned paid to employees during the subsequent pay period, which is due to the large volume of paperwork and the pay period ending on a Saturday to be processed by the following Monday.
- There were 5 employees, out of the 50 tested, for which Timekeeping/Attendance Forms were submitted too late for overtime to be processed in a timely manner. This resulted in overtime being lumped into additional pay periods with late payments for overtime to employees ranging from 0.5 hours to 33.5 hours. Processing overtime late and combining with other pay periods inhibits the detection of errors or abuse.
- The established process requires timekeepers to duplicate data entry for overtime records. Overtime is entered into an office attendance record report (referred to as the hard copy official record). The timekeepers then enter the data from the office attendance report into the Time Tracker System. The office attendance record report calculations are then compared to a Time Tracker System generated report to confirm that the ending balances in both reports agree, but if there was a mistake with originally entering the data from the Timekeeping/Attendance Form it would not be detected (see Finding #1). The process of entering data twice is time consuming, duplicating work and causing delays in processing the overtime. The Sheriff's Office has indicated that this process is necessary due to the hard copy office attendance record report serving as the official record for disciplinary actions. Since this report is a data entry report from an original record, the Sheriff's Office may be able to use a report from the Time Tracker System, which is created from the same data entry process.

Management Response:

- The CCSO disagrees with this finding. Payment of overtime in the subsequent pay period is a system design, not the result of delayed receipt of documentation. Payroll is a Monday through Friday operation; 3-Part Forms for the preceding Thursday, Friday and Saturday are not received until Monday. The Comptroller requires that payroll be processed on Monday morning.
- Rather than make assumptions about pay, the Time Tracker System was coded to capture overtime hours from the preceding pay period, assuring the greatest level of accuracy.
- The CCSO disagrees with this finding. Although we do receive some 3-Part Forms late, the actual date worked is recorded both in the Time Tracker System and on the office time card for the employee.
- In order for the employee to be paid overtime hours must be entered into the payroll system for the following pay period as a lump sum.
- The Time Tracker System also has a special code which flags late overtime.
- The CCSO disagrees with this finding. Timekeepers are required to enter all exception time (i.e. vacation, personal, overtime, etc.) into the Time Tracker System.
- The timekeeper is also required to keep an official time card for each employee in their assignment. The hard card is the official record used to record time for all discipline and Merit Board Cases.
- During the cyclical audit of the time between the Time Tracker System, the responsible timekeeper discovered the error noted in Finding #1.

Auditor's Comment

The Auditor's Office agrees that it is the way the system is structured that is causing the overtime to be paid in the subsequent pay period. The exceptions noted in the finding were for Timekeeping/Attendance Forms submitted too late to even be processed within the subsequent pay period, which inhibits the ability to prevent or detect errors or abuse.

The Sheriff's Office states in their response that Timekeepers are required to enter all exception time (i.e. vacation, personal, overtime, etc.) into the Time Tracker System. The Auditor's Office agrees that this is the process, which is why the finding states that updating a separate hard copy record is duplicating data entry.

Finding #6 Lack of Supervisory Review or Reconciliation

There is no documented payroll supervisory review or reconciliation of overtime entered and paid to prevent or detect errors or abuse. Timekeepers are responsible for entering the overtime into the Time Tracker system, which is loaded into the Payroll System for payment. Timekeepers enter the overtime based on the Timekeeping/Attendance Forms, but do not verify the overtime with the list of employees working overtime reported on the Daily Attendance Sheet. The reliance is that the shift supervisor for the division/unit has verified that the overtime is accurate.

Management Response:

- The CCSO disagrees with this finding. The review and reconciliation of overtime is the responsibility of DOC daily supervisory staff, not the timekeepers. Shift Commanders review and sign the 3-part forms submitted for overtime. All supporting documentation is forwarded to the divisional superintendent for further review and approval.
- In addition the Shift Commanders are required to complete the overtime attendance sheet, to include all employees who work overtime for any given shift.
- All timekeepers verify that employees who submit 3-Parts Forms for overtime are annotated on the Daily Attendance Sheets as having worked overtime.

Auditor's Comment

The finding is referring to controls to ensure that any errors or potential abuse are prevented or detected with the processing of the payroll and timekeeping. The Sheriff's Office states in their response to the recommendations that a payroll supervisory review and reconciliation process will be established within the next six months, which addresses the finding.

Finding #7 Management Oversight

Documentation was not provided to support an efficient process for managing the large volume of overtime. For FY'15, the overtime budget is \$26,000,000, which is greater than the FY'14 budget of \$12,000,000, but less than total overtime expense of \$36,114,862 for FY'14.

For FY'14, overtime was not allocated by business unit. The overtime was expensed to the business unit where the employee was regularly assigned, even if the overtime was incurred in another business unit. Recently, the business unit where the overtime occurs has been reported on the Timekeeping/Attendance form submitted to the timekeepers and the timekeepers are supposed to report the business unit in the Time Tracker System, but there is no policy requiring this information to be provided and added to Time Tracker. Tracking by business unit is vital for determining overall overtime needs and opportunities for efficiencies.

In addition, the Sheriff's Office provided a report that is used to document staffing and track overtime usage. The report contained errors in the calculations and the reporting of data was not consistent across the business units. The Sheriff's Office stated that the report is being revised.

Management Response:

- CCSO disagrees with this finding. Overtime is not appropriated by business unit, nor is this required by the Cook County Department of Budget and Management Services.
- In many cases employees are not actually budgeted in the business units in which they are assigned. This is primarily due to the restrictive nature of the budget and payroll process. Positions cannot be moved from one business unit to another to reflect the changes in work locations. Compound-wide employees bids occur primarily after the budget has been approved.
- Expenses can be tracked by primary work location by running reports or queries from Time Tracker based on the employee Check Route Code; but until the County has a functional automated timekeeping and attendance system it is not possible to accurately track overtime as suggested.

Auditor's Comment

The Sheriff's Office stated in their response to the recommendations that the practice is to record the business unit where the overtime occurred within the Time Tracker System and on the forms. The Sheriff's Office response to the recommendations also indicates that the management tool has been improved. These improvements would address the finding.

Recommendations:

To address the findings above, we recommend the following internal controls be implemented to improve safeguards and transparency for overtime within the Sheriff's Office Department of Corrections:

- Written policies and procedures should be developed and implemented to ensure compliance with CBAs and to improve the overtime controls in place. The specific control recommendations below should be formalized in written policies and procedures.
- Overtime should be required to be tracked in the Time Tracker System by the day that overtime occurred.
- Timekeeping/Attendance Forms along with the Daily Attendance Sheets should be required to be submitted on a daily basis to the timekeepers.
- The forms/reports used to track overtime across the business units within the Sheriff's Office should be standardized and streamlined where possible to reduce unnecessary duplicate data entry.
- The forms/reports should be automated to improve the efficiency and timeliness of capturing the overtime data and greatly reduce the paper processing. A central repository should be established for maintaining all electronic forms.
- Edit checks should be added in the Time Tracker System to prevent and inform the timekeeper when the amount entered exceeds the specified amount for a particular day.
- An exception report should be developed for overtime in excess of specified amounts (e.g. 16 hours daily) for both individual days and amounts for the bi-weekly pay period to identify any overtime discrepancies or abnormalities.
- The process of duplicate entry of overtime data into a separate spreadsheet should be further explored to determine if a more efficient method could be implemented, i.e. producing a report from the Time Tracker System.
- Reconciliations should be performed between the overtime amounts recorded in the Time Tracker System to the amount paid. The audit detected errors between the amounts processed in Time Tracker and the amounts processed through the payroll system.
- A payroll supervisory review and reconciliation process should be established to help prevent or detect errors or abuse, i.e. a periodic review and signoff of a sample of documents from each timekeeper with the actual overtime payments.

Recommendations (con't):

- Management should develop a policy on what constitutes proper justification for overtime and ensure the documented justification is consistent with the policy. The forms/reports used to justify the overtime should reflect what is policy and be submitted and maintained with the Timekeeping/Attendance forms that are used to process the overtime.
- When overtime is submitted late, justification should be required on the Timekeeping/Attendance form for the late submittal. In addition, comments for late overtime should be included in the Time Tracker System to indicate the dates of the late overtime and when the late overtime was entered and paid. Currently, the Time Tracker System has a code that is used to indicate it is late overtime, but if the comments do not reflect the actual days for the overtime then it cannot be efficiently determined when the overtime actually occurred.
- CBAs should be adhered to by not allowing employees who have had unpaid sick/dock time to accrue overtime as required by the CBAs.
- CBAs should be adhered to by developing a tracking system and formalized process for assigning overtime.
- Reporting of overtime by business unit within the Time Tracker System and on the Timekeeping/Attendance forms should be required.
- Improved management tool should be implemented for better oversight and management of overtime
- Training should be provided to ensure consistency in managing, tracking and reporting overtime.

Management Response:

- Policies and procedures are continually reviewed to ensure consistency with and relevant to current practices.
- It is current practice to track overtime in the Time Tracker System by the day that overtime occurred.
- It is current practice to submit Timekeeping/Attendance Forms along with the Daily Attendance Sheets on a daily basis to the timekeepers.
- The documentation system used to track overtime is being automated, which will result in a greater level of consistency across the divisions and units of our operations.
- The 3-Part Forms are being automated with a target goal date June 1.
- Sheriff's BOIT has completed the programming in the Time Tracker System to limit the number of hours that can be entered into the overtime field.
- An exception report has been developed for overtime in excess of specified amounts (e.g. 16 hours daily) for both individual days and amounts for the bi-weekly pay period to identify any overtime discrepancies or abnormalities.
- Once the County has implemented its automated timekeeping and attendance system, most processes will become more streamlined.
- Since payroll data from Time Tracker is uploaded directly into the payroll system the hours would match and would not provide a means of reconciliation. We are currently reviewing processes to determine a reconciliation process.
- A payroll supervisory review and reconciliation process will be established within the next six months.
- The need for overtime is based upon staffing levels; this need is driven most notably by FMLA time and sick days.
- Late overtime is entered into the system on the actual day the overtime was worked and coded as late overtime. We will work with our internal IT staff to determine if further modification can be made to Time Tracker System to accommodate this recommendation.

Management Response (con't):

- CBA requirement to not allow employees who have had unpaid sick/dock time to accrue overtime will be adhered to, once the form is completed.
- The current practice consists of a tracking system and formalized process for assigning overtime in accordance with the CBAs.
- It is current practice to report overtime by business unit within the Time Tracker System and on the Timekeeping/Attendance forms.
- The management tool has been improved for better oversight and management of overtime.