



State of Rhode Island and Providence Plantations
Office of Management and Budget
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October 4, 2017

Mr. Peter Alviti
Director
Department of Transportation
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Providence, RI, 02903

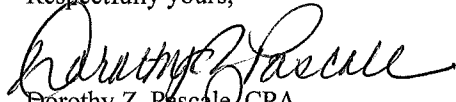
Dear Director Alviti:

The Office of Internal Audit has completed its audit of the Rhode Island Department of Transportation Payroll Practices. The audit was conducted in accordance with Rhode Island General Laws (RIGL) §35-7-3. The recommendations included herein have been discussed with members of management, and we considered their comments in the preparation of this report.

RIGL §35-7-3(b), entitled *Audits performed by bureau of audits*, states that, "Within twenty (20) days following the date of issuance of the final audit report, the head of the department, agency or private entity audited shall respond in writing to each recommendation made in the final audit report.." Accordingly, management submitted its response to the audit findings and recommendations on September 27, 2017, and such response is included in this report. Pursuant to this statute, the OIA may follow up regarding recommendations included in this report within one year following the date of issuance.

We would like to express our sincere appreciation to the RIDOT staff for the cooperation and courtesy extended to the members of our team during the course of this audit.

Respectfully yours,


Dorothy Z. Pascale, CPA
Chief

c—Jonathan Womer, Director, Office of Management and Budget, Department of Administration
Peter Keenan, State Controller, Office of Accounts and Control, Department of Administration
Loren Doyle, Associate Director, Department of Transportation
Honorable William J. Conley, Jr., Chairperson, Senate Committee on Finance
Honorable Marvin Abney, Chairperson, House Finance Committee



AUDIT Executive Summary

Why the OIA Did This Review

The Office of Internal Audit ("OIA") conducted an audit of payroll practices at RIDOT. The purpose of this engagement was to determine if RIDOT completes payroll functions efficiently and effectively, in accordance with state and federal applicable statutes, rules or regulations and with adequate controls to ensure safeguarding of assets and accurate reporting.

Background Information

The Rhode Island Department of Transportation (RIDOT) currently employs more than 700 personnel who are responsible for the planning, design, construction and maintenance of the State's surface transportation system, including highway, mass transit and rail infrastructure.

The Maintenance Division responsibilities are funded by the RI Transportation Fund. RIDOT road and bridge projects and the Infrastructure Program are funded by both state and federal sources, with the average share of federal funds being 80 percent. The total RIDOT budgeted expenditures for FY 2016 were \$482,858,909 including payroll costs of \$75,689,841, which represents approximately 16 percent of the total budget.

The OIA Recommends:

- Management make associated project/task codes available to RIDOT employees and implement policy on accurately allocating project/task codes.
- Employees submit time after the completion of any anticipated overtime.
- Implement electronic signatures for both the RIDOT employees and their supervisors to stop the need for hard-copy time sheets.
- Maintenance Units implement a uniform timekeeping process at all facilities.
- Document and implement formal payroll policies and standard operating procedures.

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Introduction

RIDOT employees are responsible for completing the timesheets in the RIDOT Oracle System. Every other Wednesday RIDOT payroll unit staff finalize payroll and submit to the DOA Payroll Division. Once timesheets are completed the RIDOT Payroll Unit inputs the hours into the DOA mainframe payroll system from the Oracle payroll summary report. RIDOT time-and-attendance software cannot integrate into the State mainframe system, requiring the manual entry into the DOA payroll system to generate paychecks. This results in a duplication of efforts to enter the time by RIDOT employees and payroll unit staff.

RIDOT Timesheets

RIDOT employees are required to submit timesheets with Project Codes, Task Codes, Time Codes and hours. The task code is the type of activity the employee is accomplishing. New RIDOT employees receive verbal guidance to complete the timesheets from colleagues and supervisors. No written instructions or trainings were evident.

Recommendations for Improved Controls

Allocate work hours to the correct project and task code.

Employees should be accurately allocating their hours worked to the correct project and task code when recording time on their time sheets. Tracking of direct and indirect labor costs (project-related and administrative) by employees is important in order to prevent the misuse of state and federal funds. In accordance with Federal Acquisition Regulation 31.201-2 (a)(2), "A cost is allowable when it is allocable."

The OIA interviewed 23 RIDOT employees in order to determine if they were following proper timekeeping practices:

- 5 of 23 employees interviewed charge hours to multiple RIDOT projects, but do not track the hours to actual work performed.
- 4 of 23 employees interviewed perform RIDOT administrative work but do not charge to an associated administrative code. Time is incorrectly charged to a federally reimbursable project.

The lack awareness of policies and procedures to inform employees and ensure that all of the best timekeeping practices are implemented have resulted in insufficient timekeeping practices among RIDOT personnel. Also refer to Educate Employees about Timekeeping Policies and Procedures later in this report.

Recommendation:

1. Require employees to report time to reflect actual work performed or Administrative time.

Management Response: RIDOT will review the timekeeping policies and procedures to ensure there is appropriate guidance as to how employees should charge their time. Currently RIDOT does have a user manual on its website for procedures on how to enter time. RIDOT is also working on a training/orientation for new employees and will look into the benefits of working the timekeeping policies and procedures into this training/orientation.

Responsible Party: Loren Doyle, CFO

Anticipated Completion Date: March 31, 2018

Change timesheet submission day

Overtime worked by employees should be accurately recorded and approved by the appropriate supervisor. Best practice is for overtime to be approved in advance by the supervisor and adjusted according to actual hours worked. Any adjustments should also be approved by the supervisor. Results of our audit testing, interviews and observations follow:

- 6 out of 11 construction unit employees confirmed they have submitted their time sheets Friday before incurring overtime, subsequently they must begin a process Monday to have the time sheet corrected, which is redundant.
- 17 out of 240 time sheets tested were submitted before overtime hours were incurred.

Current RIDOT practice is to submit time sheets by Friday with the exception of the Maintenance Unit, which submits their time sheets on Monday morning. When overtime hours incurred on the weekend are different from the hours submitted Friday, this results in inaccurate time sheets. Better controls should be implemented to ensure that overtime hours are accurately recorded and submitted into the payroll system.

Recommendation:

2. Employees submit time sheets on Monday morning if overtime is anticipated after your regular work week.

Management Response: RIDOT will evaluate the current process of submitting timesheets within the Maintenance section. Coordination among all involved parties (i.e. Maintenance, payroll, etc.) will occur to make the timekeeping process more efficient.

Responsible Party: Loren Doyle, CFO

Anticipated Completion Date: March 31, 2018

Implementation of E-signatures

The RI General Law 42-127.1 - Uniform Electronic Transactions Act and the Federal ESIGN Act of 2000--legalized electronic signatures, which provide a best practice to help organizations take advantage of the benefits electronic signatures offer.

E-signatures help organizations:

- Reduce operational costs - organizations save on the costs of man-hours, paper, printers and accessories, storage and archiving and transport.
- Increase work flow efficiency - signature and approval processes are streamlined because the need to print or scan documents, wait for approvals and hand-deliver or mail documents is eliminated.
- Promote document integrity - E-signed documents are much easier to archive and retrieve, and a complete history of the document can be reviewed at any time.

The current RIDOT timekeeping process requires the electronic submission of time sheets and the electronically submitted information is used for payroll processing by the payroll unit. RIDOT employees are required to print out hard-copy timesheets for their approval signature and the supervisor approval signature. The hard copy timesheets are then stored. No action or review is taken with respect to the paper copies.

This practice is inefficient to the construction employees who work from field offices who must deliver timesheets to RIDOT Headquarters and maintenance superintendents who drive into Maintenance Headquarters from their respective facilities around the state.

Using hard-copy timesheets are a waste of RIDOT resources including man-hours, paper, printers and accessories, storage and transportation. This inefficient manual practice is a result of not updating old payroll practices and implementing electronic signatures.

Recommendation:

3. Implement electronic signatures for both the RIDOT employees and their supervisors.

Management Response: RIDOT has explored e signatures for timesheets and the implementation is costly. Currently the budget does not have funding to allocate to the computer system and software upgrades that would be needed. IT resources to complete this project are also not available to RIDOT at this time. We will continue to explore e signatures. RIDOT has also met several times with DOA Human Resources on their new timesheet implementation and feel that may be a way to accomplish e signatures.

Responsible Party: Loren Doyle, CFO

Anticipated Completion Date: Long Term

RIDOT Maintenance Division

The RIDOT Maintenance Division uses a different process than all other units at RIDOT for timekeeping. The clerks at each Maintenance Facility are responsible for keeping track of the payroll information for all employees at their facility. There are nine Maintenance clerks, one clerk assigned to each facility.

We find clerks have different procedures and use different sources of information to complete timesheets; there is a lack of consistency. Clerks enter the information into the Oracle system, electronically submit the timesheets Monday morning and print them out to be signed by the employees and their supervisors. The timesheets are then faxed to the executive assistant, and she rejects or approves the payroll in the system. Then a call is made to the RIDOT payroll department to confirm all Maintenance payroll is complete and ready to process.

Elimination of the use of Punch Cards

The automation and integration of time, attendance and scheduling systems prevents redundant data entry, errors and omissions. RIDOT maintenance supervisors, clerks and employees use multiple resources to track employee schedules including punch cards, excel workbooks, VueWorks (the RIDOT Maintenance Work order system) and individual planners. This has created redundant data entry and increases the chance of errors and omissions.

Currently all maintenance road workers use punch cards; however, these cards may be inaccurate because work hours are not consistently reflected on them to support all hours recorded on time sheets. The OIA found exception hours such as overtime, Call-in-Work, Call-in-Not Work, holiday, personal, and sick time to be inaccurate. These hours are inaccurate due to the lack of uniformity between the maintenance units.

Recommendation:

4. Implement a uniform timekeeping process at all facilities that maintains a permanent record of employees' time.

Management Response: Payroll and Grants staff will work with Maintenance staff to create and implement uniform timekeeping policies so that there is uniformity.

Responsible Party: Loren Doyle, CFO and Joe Bucci, Administrator of Maintenance

Anticipated Completion Date: June 30, 2018

Educate Employees about Timekeeping Policies and Procedures

Formal policies and procedures are a key component of a sound internal control environment. Best practices for policies and procedures include:

- Maintain written policies and procedures for use by the payroll unit employees as guidance in performing their job duties.
- Provide written policies and procedures to all employees as guidance for completing time sheets and understanding timekeeping practices.

The payroll policies available to RIDOT employees are the written instructions on how to use the Oracle system to enter project codes and time and submit timesheets electronically. These instructions were distributed when RIDOT first implemented the Oracle timekeeping system in 2006 and are not distributed to all RIDOT new hires. The lack of policies and procedures to inform employees and ensure that all of the best timekeeping practices are implemented have resulted in inconsistent payroll and timekeeping practices among RIDOT divisions and personnel.

Recommendations:

5. Adopt, implement, and enforce formal policies and procedures for Payroll functions.
6. Train employees about the policies and procedures for completing time sheets and understanding timekeeping practices.

Management Response: RIDOT will review the timekeeping policies and procedures to ensure there is appropriate guidance as to how employees should charge their time. Currently RIDOT does have a user manual on its website for procedures on how to enter time. RIDOT is also working on a training/orientation for new employees and will look into the benefits of working the timekeeping policies and procedures into this training/orientation.

Responsible Party: Loren Doyle, CFO and Joe Bucci, Administrator of Maintenance

Anticipated Completion Date: March 31, 2018

Objective and Scope

The purpose of this limited scope payroll audit was to determine if RIDOT is efficiently and accurately reporting work performed by the employee on timesheets. The scope was limited to a sample of RIDOT employee payroll detail from calendar year 2016.

Methodology

As part of our audit work, we gained an understanding of the existing controls over payroll practices at RIDOT. To address our audit objective, we performed the following:

- Interviewed RIDOT management personnel and staff.
- Obtained an understanding of significant payroll processes.
- Performed payroll process analysis.
- Reviewed time sheet and punch card records.