




COUNTY OF LEHIGH
OFFICE OF THE CONTROLLER

LEHIGH COUNTY GOVERNMENT CENTER
17 SOUTH SEVENTH STREET
ALLENTOWN, PA 18101-2400
(610) 782-3082 FAX: (610) 871-2897

GLENN D. ECKHART
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

TO: Final Report Distribution
FROM: Glenn Eckhart, County Controller 
DATE: November 26, 2012
RE: Audit of Cedarbrook Nursing Homes Time Reporting Procedures

We have completed a performance audit of time reporting at Cedarbrook Nursing Home for the period August 2012. Our audit report number 12-28 is attached.

The results of our audit are:

- There was insufficient audit evidence of specific time reporting errors or fraud due to inadequate time reporting practices and system controls at Cedarbrook.
- Cedarbrook management has implemented additional procedural controls to their time reporting policies and procedures. Also, Cedarbrook management has requested purchase software vendor Smartlinks pursue additional system controls.

Attachment

AUDITS/TIME REPORTING PROCEDURES AT CEDARBROOK NURSING HOME

COUNTY OF LEHIGH, PENNSYLVANIA

CEDARBROOK NURSING HOME

TIME REPORTING PROCEDURES

Performance Audit for the Period August 2012

REPORT NO. 12-28

COUNTY OF LEHIGH, PENNSYLVANIA
CEDARBROOK NURSING HOMES
TIME REPORTING PROCEDURES

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ALLENTOWN, PA 18101-2400
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GLENN D. ECKHART
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

Terry D. Lopus, Director of Cedarbrook
Cedarbrook Nursing Home
350 South Cedarbrook Road
Allentown, PA 18104

We have recently completed a performance audit of time reporting procedures at Cedarbrook Nursing Home. Our office initiated the audit after being informed of potential time reporting irregularities at the Cedarbrook – Allentown facility. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The scope of our detail audit testing was selected time reporting and payroll data for August 2012. Our consideration of internal control was limited to audit testing required to meet the audit objective and would not necessarily identify all deficiencies in internal control that might be significant or material weaknesses.

Our objective was to investigate potential time reporting irregularities at Cedarbrook – Allentown. In the course of the investigation, we evaluated selected system controls surrounding time reporting purchased software (SMARTLINKS). We were not engaged to conduct a full information technology audit, the objective of which would be the expression of an opinion on the adequacy of the SMARTLINKS system. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Audit criteria and standards included compliance with Cedarbrook administrative attendance policies set forth and enacted by Cedarbrook administration surrounding the input of employee: work schedules; time clock reporting; tardiness; early arrivals/late departures; and overtime accumulation and authorization. Audit standards applied in performing the audit included generally accepted government auditing standards, and *Government Auditing Standards* (July 2007 revision) issued by the Comptroller General of the United States.

We achieved our objectives by comparing the established criteria and standards to actual practice. Audit methodology and tests performed included documentation and testing of Cedarbrook's time reporting procedures and authorization process including selected aspects of:

- Employee scheduling;
- Time reporting authorization and user access;
- Time clock operation and internal requirements for exempt, non-exempt, and hourly employees;
- Employee time reporting training; and
- Purchase time reporting software (SMARTLINKS) exception reporting and time reporting manual adjustment procedures.

We believe that the audit evidence obtained by performing the above procedures and analyses provide a reasonable basis for our findings and conclusions based on our audit objective. Our audit included examination of the accounting records, documentation, discussions with Cedarbrook employees and other county personnel, and such other auditing procedures we considered necessary in the circumstances.

We concluded there was insufficient audit evidence of specific time reporting errors or fraud due to inadequate time reporting practices and poor system controls at Cedarbrook:

- Current time reporting practices provide insufficient documentation/evidence to verify actual hours worked:
 - Cedarbrook attendance policy, dated July 21, 2012, states that all employees are required to utilize the time clock system (punch-in/out) however, exempt employees are not required to punch-in/punch-out;
 - Assistant Directors of Nursing did not require non-exempt staffing personnel to punch-in/punch-out;
 - Manual changes to schedule / time clock entries are not properly supervised/approved;
 - Manual changes made to punch times are not included in the "Missed Punches" SMARTLINKS exception reporting; and
 - The "Audit of Manual Changes Log" SMARTLINKS exception report is not being used/reviewed by management.
- SMARTLINKS system internal controls are not adequate to prevent or detect errors or fraud:
 - Some employees have access to both scheduling & time reporting functions;
 - Employees make changes to time and attendance records subsequent to formal management review and approval and prior to the transfer of payroll data to the county KEA payroll system;
 - Some employees can change their own time and attendance records;
 - Third party purchase software (SMARTLINKS) controls were not independently reviewed and approved; and
 - Employee training on SMARTLINKS was not properly documented.

A complete description of our recommendations is detailed in the accompanying "*Schedule of Audit Findings and Recommendations*".

We wish to thank Cedarbrook management and staff for their cooperation during the audit. This report is intended for the information and use of the Cedarbrook management and other affected county offices. However, this report is a matter of public record and its distribution is not limited.



Glenn Eckhart
County Controller

November 19, 2012
Allentown, Pennsylvania

Final Distribution

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Pamela S. Schneck, Human Resources Administrator, Cedarbrook Nursing Home

COUNTY OF LEHIGH, PENNSYLVANIA
CEDARBROOK NURSING HOMES
RESIDENTS' TRUSTEE ACCOUNTS

Schedule of Audit Findings and Recommendations

1. **Time Reporting**

Condition: Current time reporting practices provide insufficient documentation /evidence to verify actual hours worked. Exempt employees are not required to punch in/out. Current practice is to require one time clock punch per shift precluding attendance tracking. Some non-exempt employees are not required to punch in/out contrary to Cedarbrook's stated policy. Manual changes to working schedules and manual changes to time clock entries are not properly supervised/approved. Non-exempt clerical specialists in the nursing office input changes to their own schedule and receive overtime without any documentation of supervisory review /approval. SMARTLINKS exception reports are ineffective for monitoring missed time clock punches because manual changes do not appear on the "Missed Punches" report and because the "Audit of Manual Changes Log" is not being used/reviewed by management. Current practices would not detect or prevent payroll fraud.

Recommendations:

- Require all nursing home employees to punch-in and punch-out.
- Implement system controls to require supervisory review and approval of any changes to schedules and any changes to time clock punches. This function should be done by individuals not involved in the nursing scheduling/time reporting, e.g., Cedarbrook human resources.
- Management should continue to review exception reports to determine employees who are not adhering to attendance/time reporting policies & procedures. In addition to the present efforts, management should require supervisory review and signature approval of the "Audit of Manual Changes Log" each pay period.

2. **System Controls**

Condition: Third party purchased software (SMARTLINKS) system controls are not adequate to prevent or detect errors or fraud. Some employees have access to both scheduling & time and attendance functions. Employees can make changes to the time and attendance records after supervisory approval (and prior to download to the county KEA payroll system). Some employees can change their own schedules/time clock punch times /time & attendance records resulting in overtime payments. SMARTLINKS controls were not independently reviewed and approved by county management. Employee training on SMARTLINKS was not properly documented.

Recommendations:

- Implement segregation of duties – Any individual who is performing schedule optimizer functions in the SMARTLINKS system should not be granted access to the time & attendance functions of the system.
- A lock-out feature should be programmed into the SMARTLINKS system which prevents any changes to the time & attendance records subsequent to final review and authorization by management and prior to the transfer of payroll data to the county KEA payroll system.
- An independent IT audit of the SMARTLINKS system should be implemented.
- Attendance at future employee training sessions should be documented by requiring sign-in sheets.

COUNTY OF LEHIGH CEDARBROOK NURSING HOMES

CEDARBROOK - ALLENTOWN

350 S. CEDARBROOK ROAD
ALLENTOWN, PA 18104

(610) 395-3727
FAX (610) 395-0412



CEDARBROOK - FOUNTAIN HILL

724 DELAWARE AVENUE
BETHLEHEM, PA 18015

(610) 691-6700
FAX (610) 867-2332

November 19, 2012

Glenn D. Eckhart, County Controller
Office of the Controller
Lehigh County Government Center
17 South Seventh Street
Allentown, PA 18101-2400

Dear Controller Eckhart:

We received the Controller's Office Report of the performance audit of time reporting procedures at Cedarbrook as delivered and presented by John Falk on November 5th. We are very appreciative of the time and energy invested in performing the audit as well as the guidance and assistance provided by John F., Stephen B. and yourself as Controller. We further appreciate the spirit of cooperation that was extended to us throughout the audit. Please be assured that it is persistently Cedarbrook's primary objective to maintain the highest standards of consistently implemented strong Policies and Procedures that infuse accountability, internal controls and yield nothing short of thorough and complete time reporting, attendance and payroll documentation. Below are my responses to the recommendations based on the sequence as they are listed in the audit report.

1. Time Reporting

Response to Recommendations

Cedarbrook's time reporting practices have been strengthened and enhanced providing a plenary of documentation to verify the actual hours worked.

Effective November 24, 2012 all employees (non-exempt and exempt) will be required to punch-in and out for each shift worked.

Cedarbrook has conducted a thorough review completing necessary revisions of the time reporting Policies and Procedures as well as the entire process initiated with entering schedules, timekeeping, edits and ending with approval of payroll. Additional system controls and

“checks” have been implemented that require Supervisor/Management review and signature approval of schedule changes and edits to time clock punches. System controls are as follows:

- Prior to finalization of the payroll, Human Resources will produce an “Edit Report” (showing changes and/or edits to date) requiring Supervisory review by each department. Human Resources will review the complete “Edit Report” for all departments/the facility.
- Re-institute review and approval by department of the finalized payroll.
- Pursue with SmartLinx development of a “Change Log”, report detailing any changes or edits made in either Schedule Optimizer or Time and Attendance. The Manual Change Log, as referenced and recommended in your Report was produced/prepared for the Auditors however was labor intensive and time consuming to produce. The “Edit Report” as referenced above eventually needs to be replaced by a system generated Change Log or similar report.
- Supervisors/Departments are encouraged to review and enter necessary changes on a daily basis. This past July Cedarbrook progressively implemented definitions, criteria, and documentation of tardiness, early departures and “missed punches” as part of the facility’s stringent Attendance Policies. As per the policy, employees who exceed the “threshold” or frequency of tardiness, leaving early or failure to punch are subject to disciplinary action. Attendance of virtually every Cedarbrook employee is monitored on a bi-weekly or pay period basis.

In regard to Cedarbrook’s time and attendance records, hours worked and payroll documentation/records; and beyond those recommendations as part of the Controller’s report, Cedarbrook’s welcomes the guidance, assistance and future audits by the Lehigh County Fiscal, Human Resources and Controller’s Offices.

2. System Controls

Response to Recommendations

The concept of segregation of duties was discussed and considered in the initial stages of the Audit and Cedarbrook promptly contacted SmartLinx for technical assistance. As the Schedule Optimizer and Time and Attendance functions are linked; removal of access affects both functions prohibiting segregation of duties (temporary, at this time).

Cedarbrook has requested for SmartLinx to pursue a resolution and/or software or systems update thus enabling access or permission for one function and not the other.

Cedarbrook's present policy as well as the revised and updated "Security Matrix" defines and indentifies a limited number of personnel with access to the Scheduling Optimizer and Time and Attendance functions. Cedarbrook's revised policy clearly states:

- Employees are not permitted and are prohibited from adjusting their own times and attendance records.
- Requires Supervisory approval of all the time entered/submitted as well as review/approval of edits and/or adjustments (as previously indicated).
- Prohibits adjustments to time and attendance entries/data subsequent to and prior to formal review and approval (transmission to KEA/County). Human Resources will complete any necessary adjustments following departmental approval. Human Resources will forward to the County Fiscal Office adjustments requiring completion by that office.

Cedarbrook appreciates the recommendation for an independent IT Audit of the SmartLinx system. While the auditor indicated this audit would be more productive if scheduled six (6) to eight (8) months into the future, Cedarbrook will communicate the need and recommendation for such to Lehigh County Information Technology and County Administration.

In closing, on behalf of Cedarbrook Management and Administration please accept our appreciation for the opportunity to respond with our remarks as well as our course of action. Further, I would welcome any comments, suggestions or questions that you may have.

Respectfully,



Terry D. Lopus, NHA
Director/Administrator

TDL:tah

cc: Tom Muller, Lehigh County Director of Administration
Brian Kahler, Fiscal Officer
Judy Johnston, Lehigh County Human Resources Director
Mary Hazzard, Assistant Administrator
Pamela Schneck, Human Resources Administrator