



# M E M O R A N D U M

SUBJECT: Manual Payroll Systems are Prone to  
Data Input and Process Errors (OIG 18-06)

DATE: March 30, 2018

FROM: OIG – Geoffrey A. Cherrington [REDACTED]

TO: GMGR – Paul J. Wiedefeld

WMATA's manual payroll systems are prone to data input and processing errors. Specifically, nine of 25 employees in our sample had data input errors. These errors were caused by a lack of mandatory training for supervisors and timekeepers, periodic system reviews, and procedures when employees change shifts or positions.

Some of the errors identified in this report can be corrected with WMATA's ongoing MetroTime Automation Project. This report is intended to enhance that project.

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## Background

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WMATA employs approximately 13,000 union and non-union workers, which approximately 8,600 employees are from Amalgamated Transit Union, Local - 689.<sup>1</sup> In Calendar Year (CY) 2016, WMATA paid labor expenses (including regular earnings, sick leave, holiday, vacation and overtime) of approximately \$1,029 million.<sup>2</sup>

The Payroll Branch within the Office of Accounting (ACCT) is responsible for ensuring pay checks are processed and distributed in a timely manner by accurately calculating gross wages, tax and garnishment withholdings, and other deductions. To perform this process, the Payroll Branch is divided into two sections, Salaried Payroll and Hourly Payroll. Union employees, such as Local Union 689 employees, are hourly employees, and are paid weekly resulting in 52 pay periods per fiscal year.

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<sup>1</sup>Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2016, page 104.

<sup>2</sup>WMATA's payroll data in PeopleSoft.

In order to provide timely and accurate payable time, the Payroll Branch is responsible for the:

- Set up and maintenance of Time Reporting Codes (TRC)<sup>3</sup>,
- Set up of Earning Codes<sup>3</sup> that correspond to general ledger account numbers, and
- Process pay data hours from Trapeze and PeopleSoft Time and Labor.

WMATA launched MetroTime Automation Project<sup>4</sup>, a standardized automated time keeping system that will eliminate manual reporting of time and replace PeopleSoft Time & Labor and Absence Management. “[M]etroTime is being rolled out in two releases. The first release will roll out Kronos Workforce Central in the winter of 2018 to process Time and Labor, perform Absence Management, Leave, and FMLA. The schedule for the second release, the rollout of the TeleStaff, is in the process of being finalized. TeleStaff includes functionality for Job and Vacation Picking, Overtime Scheduling and robust Fatigue Management capabilities.”<sup>4</sup> MetroTime Automation Project will also provide a user-friendly timekeeping and workforce management solution that will allow for clear, auditable time and labor tracking, instill accountability, and reduce administrative overhead.

### What Is Required

Control Objectives for Information and Related Technologies (COBIT) internal control guidelines:

According to COBIT guidelines, Management should implement controls to ensure accuracy, completeness, validity, and compliance to regulatory requirements of data input. *COBIT and Application Controls: A Management Guide, Copyrighted 2009* (The Guide) Section AC3 states: “[e]nsure that transactions are accurate, complete and valid. Validate data that were input[ted], and edit[ed] or sen[t] back for correction as close to the point of origination as possible. The Guide, Section AC2 states, “[e]nsure that data input is performed in a timely manner by authorized and qualified staff. Correction and resubmission of data that were erroneously input should be performed without compromising original transaction authorization levels. Where appropriate for reconstruction, retain original source documents for the appropriate amount of time.” The Guide section AC4 states “maintain the integrity and validity of data throughout the processing cycle. Detection of erroneous transactions does not disrupt the processing of valid transactions.

Local Union 689 Collective Bargaining Agreement (CBA) sections on Overtime, Holiday, Meal Allowance, and Pay Differential requirements include:

- *Sec. 210, 305, and 402 - Overtime “General Rule”* (Operating Personnel, Maintenance and Construction Personnel, and Division Clerks and Related Personnel) shall be paid time and one half for all time worked in excess of eight (8) hours in any one (1) work day and in excess of forty (40) hours per week.<sup>5</sup>

<sup>3</sup>Recorded labor hours are assigned to a TRC. All TRCs are assigned to an Earning Code that corresponds to a general ledger account.

<sup>4</sup>Source - MetroTime Automation Project intranet website: <http://metroweb/departments/IT/apps/Pages/MetroTime.aspx>.

<sup>5</sup>Although Operating Personnel, Maintenance and Construction Personnel, and Division Clerks and Related Personnel have a common general overtime rule, they each contain additional overtime rules, which are not included specific to the individual position.



- *Sec. 119 (b) Holiday* – An employee who works on these days shall receive, in addition to the aforesaid eight (8) hours pay, pay for all time worked with a minimum of sixteen (16) hours straight time pay. Part-time employees who work on holidays shall receive pay for all time worked, without a minimum, in addition to the aforesaid holiday pay.
- *Sec. 307 Meal Allowance* - provides that employees are either furnished a meal or a meal allowance of six (6) dollars if the employee has worked overtime of more than three (3) hours immediately before and/or after their regular shift.
- *Sec. 126 (b) Pay Differential, Maintenance and Construction Employees* - When working, differential pay will be associated with the employee's regularly assigned shift for the duration of the time the employee holds such regular assignment. Maintenance and Construction employees who work the regularly assigned 2nd shift will receive 2 percent of the employee's straight-time rate including longevity for each hour worked including overtime, and employees who work the regularly assigned 3rd shift will receive 3 percent of the employee's straight time rate including longevity for each hour worked including overtime.
- Also, according to *WMATA's Timekeeping Modernization Project Guidance and Policy*- WMATA weekly-paid employee population has a semi-annual opportunity to select (PICK) a different work site, the shift, or schedule based on union affiliation and seniority. The results of this process requires weekly employee transfers to different locations, different departments, and different work schedules and shifts. The automated enrollment process also assigns a default schedule to all new hires and when changes to union group and/or standard weekly hours is detected. Permanent work shift changes require notification and coordination with HR.
- *Sec. 126 (e) Pay Differential, Lead Personnel* - Provides that Lead Personnel shall receive two percent above their regular rates of pay.
- *Sec. 120 Bereavement Leave* - In the event of absence occasioned by death in his/her immediate family, an employee covered by this Agreement shall receive pay for not more than three (3) days of eight (8) hours each, at the straight time rate; provided, however, that if the employee attends a funeral that is more than 150 miles from the employee's home of record, the employee shall receive pay for one (1) additional day of eight hours, at the straight time rate.

## What We Found

### Overtime, Holiday, Meal Allowance, Pay Differential Input Errors:

We audited the payroll data of 25 Local Union 689 employees who used a manual or automated process to input time. Nineteen (19) of the 25 employees used a manual timekeeping process and the six (6) remaining employees had an automated process.

For 9 of the 25 employees that used a manual or automated time keeping process, we identified data input errors in PeopleSoft – Human Capital Management (HCM) for overtime, working on holidays, meal allowance, and pay differential for work shifts, which caused payroll errors to occur. Although PeopleSoft - HCM has business rules in place for straight time, overtime, holiday, meal allowance, and pay differentials, limitations of the rules do not prevent incorrect payroll payments from being processed prior to supervisory approval (refer to Table 1):

**Table 1. Manual Time Data Input and Processing Errors**

Employee Sample #	Automated (A) or Manual (M)	Overtime Input Error	Holiday Input Error	Meal Allowance Error	Pay Differential Error
1	M	X			
2	A			X	
3	M	X	X		X
5	M	X			X
7	M				X
9	M	X			X
10	M		X		
12	M	X			
14	A			X	X

For overtime input errors:

- Overtime for one employee was recorded to the incorrect TRC.
- Overtime for two employees was recorded to the incorrect Job Code.
- The incorrect overtime rate for one employee was used to calculate overtime pay.
- Overtime hours for one employee were under recorded.

For holiday input errors:

- Holiday work pay for two employees was paid at the higher classification rate instead of the regular overtime rate as required by CBA.

For meal allowance input and business rule errors:

- Meal allowance for two employees was recorded for days off, which caused overpayments.
- Also, the daily threshold rule for meal allowance (TRC - MEL6) automatically calculates the meal allowance entitlement for every three (3) consecutive hours of overtime worked, causing more than one meal allowance to be calculated in one work day. And is only calculated for 3 consecutive hours of overtime worked, therefore, if overtime is work before and after regular work hours, but not consecutively, the meal allowance is not calculated.

For pay differential input and business rule errors:

- The incorrect work shift rate for five employees was recorded. These instances were permanent shift changes, which require HR notification for PeopleSoft adjustment; however, supervisors and employees did not notify HR.
- Also, the TRC for Shift Leadman (D10T), a supervisory position, was not properly coded in compliance with the CBA. The TRC was coded to pay one percent versus two percent of the regular rate. One employee in our sample of 25 employees with this coding error resulted in an underpayment of one percent for hours worked as a lead personnel. **Note:** This deficiency was brought to Payroll's attention and the business rule was subsequently corrected in April 2017.

### **Funeral Leave Processing Error**

We audited four employees who charged the most funeral leave for CY2016. For three (3) of four (4) employees, their funeral leave was correctly inputted, but the payment was incorrectly processed. The funeral leave weekly hour total populated the daily hour total field, therefore, the payroll payment was calculated for each day using the weekly hour total instead of the daily hour total causing double or tripled funeral leave overpayment.

WMATA management indicated that this error was corrected through a configuration change to PeopleSoft in 2016. As of January 2018, the Department of the Chief Financial Officer (CFO) was attempting to recover overpayments made to employees.

### ***Why This Occurred***

The following were the causes for the input, business rule, and processing errors:

- There was no mandatory training for supervisors and timekeepers that was specific for employees who have the responsibility for entering and approving time for other WMATA employees.
- Periodic reviews were not conducted for time and earning codes to make sure they were set up and used according to CBA and WMATA policies.



- Supervisors did not request *Position Data Change* in *Manager Self Service* for staff in their function prior to shift changes and to be in accordance with CBA. This deficiency has been mitigated with new procedures for exception reporting and preparation of a spreadsheet of payroll related changes to HR.

### ***Why This Is Important***

WMATA kicked off the MetroTime Automation Project<sup>6</sup> that will provide an automated time entry method for all WMATA employees, except those who use Hastus or Trapeze. Hastus and Trapeze employees already use an automated time capture system. When the project is completed, all WMATA employees will use an automated time capture and entry process. The issues identified in this report should be examined to ensure the automated systems have appropriate controls in place to mitigate risk of these errors from happening.

### ***Recommendations***

We recommend the GM/CEO:

1. Conduct mandatory training for all personnel that input and approve time so that they understand their roles in the time and attendance function. (Action: CFO) (Risk – Medium)
2. Institute procedures to conduct periodic reviews of all time and earning codes to ensure they are being used correctly and are set up in compliance with the CBAs and WMATA policies. (Action: CFO ) (Risk – Medium)
3. Correct the time and earning code errors identified in this report in the PeopleSoft payroll system. (Action: CFO ) (Risk – Medium)

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### ***Management's Comments***

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At an exit conference held on January 18, 2018, management officials generally agreed with the findings and recommendations in this report.

In written response to this report, WMATA Management agreed with all the recommendations and the detail of their response can be viewed at the Appendix.

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<sup>6</sup>Source - MetroTime Automation Project intranet website: <http://metroweb/departments/IT/apps/Pages/MetroTime.aspx>

## Objective, Scope and Methodology

### Objective

The audit objective was to determine whether WMATA has adequate internal controls and monitoring procedures in place concerning manual timekeeping processes.

### Scope

The scope of the audit covered employees covered by Local Union 689 that incurred overtime in CY 2016.

### Methodology

To accomplish our audit objective, we:

- Reviewed relevant documents, including CBA for Local Union 689 and WMATA policy instructions and office procedures.
- Interviewed HR and Payroll personnel to obtain an understanding of the payroll processing functions.
- We independently extracted all earned labor data from PHRPROD for Local Union 689 employees that earned overtime hours during calendar year 2016.
- We judgmentally selected a sample of 25 Local Union 689 employees who were paid using manual systems for CY 2016.
- We judgmentally selected an additional sample of four (4) Local Union 689 employees who charged the most bereavement leave.
- We tested a total of 267 timesheets and performed the following steps:
  - Timesheet hours properly add up and agreed to employee's regular work schedule.
  - Noted appropriate approval on timesheet.
  - Verified that correct base salary was used in calculation of overtime.
  - Verified that overtime rate was properly calculated at the time and a half rate or as stipulated in the CBA.
  - Obtained copies of the overtime assignment schedules and verified assignment of overtime.
- We performed the following steps for Payroll processing:
  - Reviewed Payable Time Detail Report (Payroll report) to ensure the accuracy of overtime payments.
  - Reviewed Business Rules configured in PeopleSoft to ensure compliance with the CBA, and WMATA's policies with respect to employment and relevant laws and regulations.

**M E M O R A N D U M**



**SUBJECT:** Response to OIG's Draft Audit -  
18-XX, Manual Payroll Systems  
are Prone to Data Input and  
Process Errors

**DATE:** February 23, 2018

**FROM:** CFO – Dennis Anoske [REDACTED]

**THRU:** GM/CEO – Paul J. Wiedefeld [REDACTED]

**TO:** OIG – Geoffrey A. Cherrington

The following represents the Chief Financial Officer's response to OIG's draft audit, Manual Payroll Systems are Prone to Data Input and Process Errors.

**OIG Recommendation 1:**

Conduct mandatory training for all personnel that input and approve time so that they understand their roles in the time and attendance function.

**Management's Response:**

Management accepts this recommendation. The Office of Accounting, Payroll Branch will collaborate with Human Resources to develop a mandatory, computer-based Time and Attendance training to educate existing time enterers, time approvers, and personnel action request (PAR) delegates on their respective roles in the time and attendance function and appropriate use of the time and earning codes by December 31, 2018. This training will be required before granting access to new time enterers, time approvers, and PAR delegates.

**OIG Recommendation 2:**

Institute procedures to conduct periodic reviews of all time and earning codes to ensure they are being used correctly and are set up in compliance with the CBAs and WMATA policies.

**OIG Recommendation 3:**

Correct the time and earning code errors identified in this report in the PeopleSoft payroll system.

**Management's Response for Recommendations 2 & 3:**

Management accepts these recommendations. Payroll will implement a process to conduct annual reviews of time and earning codes in PeopleSoft and Kronos to ensure they are being used properly and in accordance with Collective Bargaining Agreements and WMATA policies. As part of each review, Payroll will make the appropriate system corrections of discrepancies noted with the application of the time and earning codes. The first annual review, is expected to be completed by June 30, 2018.

Washington  
Metropolitan Area  
Transit Authority