

# MUNICIPALITY OF ANCHORAGE



Office of the Internal Auditor  
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*Mayor Dan Sullivan*

February 14, 2011

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2011-01, Kronos Workforce Time Keeper, Municipal Light & Power**, for your review. A brief summary of the report is presented below.

In accordance with the 2010 Audit Plan, we have completed an audit of the Kronos Workforce Time Keeper system used by Municipal Light & Power. The objective of this audit was to determine whether the Kronos time keeping system had been properly implemented and had proper controls in place to ensure that time was correctly entered and appropriately approved for use in PeopleSoft. Specifically, we judgmentally selected payroll transactions in 2010 to determine if employees' time sheets were electronically approved by the employees' supervisors and if the time and other payroll data were correctly transferred to PeopleSoft. In addition, we reviewed development of pay rules, access profiles, and disaster recovery procedures.

Based on our review, we determined that, overall the Kronos time keeping system was properly implemented and had proper controls in place to ensure that time was correctly entered and appropriately approved for use in PeopleSoft. However, the methodology used to develop payroll system pay rules was not well documented. In addition, our review of employee access profiles in Kronos showed that some employees were granted access that did not match their position levels.

There were two findings with recommendations in connection with this audit. Management was responsive to the findings and concurred with the recommendations.

A handwritten signature in black ink, appearing to read "Peter Raiskums".

Peter Raiskums, CIA, CFE  
Director, Internal Audit

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**Internal Audit Report 2011-01  
Kronos Workforce Time Keeper  
Municipal Light & Power**

**Introduction.** Municipal Light and Power (ML&P) has a payroll system that contains a variety of work schedules and leave plans serving about 240 ML&P employees in three different work groups. In 2008, ML&P automated its time keeping system with Kronos Workforce Time Keeper (Kronos). In Kronos, an employee or the employee's foreman enter hours worked, leave hours taken, and other required payroll information. The employee's supervisor then reviews and electronically approves the payroll data and submits it to ML&P's payroll section for final processing. During payroll processing, the time data submitted is reviewed by the payroll specialist and then closed by the payroll supervisor. After the time data is finalized in Kronos, it is uploaded into PeopleSoft Human Resources Time and Labor module (PeopleSoft). Currently, ML&P is not using Kronos for requesting and approving leave or overtime. According to ML&P management, Kronos does not adequately support ML&P's leave process and has no overtime approval process. As a result, to request and approve leave and overtime ML&P uses a system called the ML&P Payroll Request System.

**Objective and Scope.** The objective of this audit was to determine whether the Kronos time keeping system had been properly implemented and had proper controls in place to ensure that time was correctly entered and appropriately approved for use in PeopleSoft. Specifically, we judgmentally selected payroll transactions in 2010 to determine if employees' time sheets were electronically approved by the employees' supervisors and if the time and other payroll data were correctly transferred to PeopleSoft. In addition, we reviewed the development of pay rules, access profiles, and disaster recovery procedures.

The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during the period of October through December 2010. The audit was requested by ML&P.

**Overall Evaluation.** Generally, Kronos was properly implemented and had proper controls in place to ensure that time was correctly entered and appropriately approved for use in PeopleSoft. However, the methodology used to develop payroll system pay rules was not well documented. In addition, our review of employee access profiles in Kronos showed that some employees were granted access that did not match their position levels.

## **FINDINGS AND RECOMMENDATIONS**

### **1. Pay Rule Development Process Not Well Documented.**

- a. Finding.** The methodology used to develop payroll system pay rules was not well documented. Earning timesheet codes in Kronos have pay rules attached to them to help ensure employees are correctly compensated. According to the System Administrator, pay rules were developed through a lengthy testing process. However, the only records documenting pay rule development were on hand written loose notebook papers. Furthermore, there was insufficient documentation to establish an audit trail for monitoring and controlling changes to the pay rules.
- b. Recommendation.** The System Administrator should adopt procedures to establish an audit trail for monitoring and controlling changes to the pay rules.

- c. **Management Comments.** Management stated, “Management concurs with the audit finding. The Kronos system uses effective dating as an audit mechanism for changes to or creation of a pay rules. ML&P System Administrator will create procedures that document how changes to the pay rules are to be entered in the system. This will be done first quarter 2011.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

2. **Improper Assignment of Kronos Access Profile.**

- a. **Finding.** Our review of employee access profiles in Kronos showed that some employees were granted access to Kronos that did not match their position levels. Specifically, we found two employees whose access profiles appeared excessive in respect to their positions.

One employee was a senior clerk for the Engineering Division. This employee was granted the same access to Kronos as a Foreman and could view, approve, and modify employee timecards. However this employee did not supervise anyone and was not assigned to acting duty at the time of the review. According to the Payroll Supervisor, the employee was setup with the foreman’s access profile during a training session and was never removed afterwards.

Another employee, an executive assistant, was assigned to input time for a supervisor while he was on leave during August and September 2010. However, as of November, she had not been reassigned to the proper access level profile.

- b. **Recommendation.** The Payroll Supervisor should regularly review access profiles to ensure they are proper.
  
- c. **Management Comments.** Management stated, “Management concurs with the audit finding. The Payroll Supervisor beginning in FY2011, will review access profiles on a quarterly basis to ensure they are proper.”
  
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

**Discussion With Responsible Officials.** The results of this audit were discussed with appropriate Municipal officials on January 5, 2011.

Audit Staff:  
Jayi Schin