GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER

AUDIT OF INTERNAL CONTROLS OVER
THE PAYROLL SYSTEM AT THE NOT-FOR-PROFIT HOSPITAL
CORPORATION (UNITED MEDICAL CENTER – UMC)

OFFICE OF INTEGRITY AND OVERSIGHT

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer
Office of Integrity and Oversight

May 7, 2014

David R. Small, Chief Executive Officer
United Medical Center
1310 Southern Avenue S.E.
Washington, DC 20032

Michael E. Davis, Chief Financial Officer
United Medical Center
1310 Southern Avenue S.E.
Washington, DC 20032

Dear Messrs. Small and Davis:

This report summarizes the results of the Office of the Chief Financial Officer (OCFO)'s Office of Integrity and Oversight's (OIO) Audit of Internal Controls over the Payroll System at the Not-For-Profit Hospital Corporation (United Medical Center – UMC). The overall objectives of the audit were to determine whether UMC: (1) established effective internal controls to ensure accuracy and integrity of the Payroll System; (2) managed its timekeeping and payroll functions in an effective and efficient manner; and (3) complied with the requirements of applicable laws and regulations.

OIO provided 5 recommendations to address the findings cited in the report. UMC concurred with the recommendations, implemented corrective actions on three recommendations, and provided target completion dates on the remaining two. UMC's corrective actions (taken and planned) are responsive and meet the intent of the recommendations.

We appreciate the assistance and cooperation that you and your staff provided to OIO during this audit. Should you have any questions or need additional information, please call me at (202) 442-6433; or your staff may contact Khaled Abdel Ghany, Senior Auditor, at (202) 442-8277.

Sincerely,

Mohamad K. Yusuff, CPA,
Interim Executive Director

Enclosure

cc: Jeff DeWitt, Chief Financial Officer, Government of the District of Columbia
   Angell Jacobs, Deputy Chief Financial Officer and Chief of Staff, OCFO
   Kathy Crader, Chief Risk Officer, OCFO

AUDIT OF INTERNAL CONTROLS OVER THE PAYROLL SYSTEM AT THE NOT-FOR-PROFIT HOSPITAL CORPORATION (UNITED MEDICAL CENTER – UMC)

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ACRONYMS

CEO	Chief Executive Officer
CFO	Chief Financial Officer
CY	Calendar Year
EMTALA	Emergency Medical Treatment and Active Labor Act
FY	Fiscal Year
HR	Human Resources Division
IT	Information Technology
NFP	Not-For-Profit
OCFO	Office of the Chief Financial Officer
OIO	Office of Integrity and Oversight
REN/BON	Retention Bonus for Nurses
SNF	Skilled Nursing Facility
UMC	United Medical Center
WBN	Extra Weekend Shift Bonus for Nurses

EXECUTIVE SUMMARY

OVERVIEW

The Office of the Chief Financial Officer (OCFO)'s Office of Integrity and Oversight (OIO) conducted an audit of the internal controls over the payroll system at the Not-For-Profit Hospital Corporation (United Medical Center – UMC). The primary audit objective was to determine whether UMC established effective internal controls over payroll system and functions to ensure completeness, accuracy, and integrity of the payroll system and records. The audit was initially requested by UMC Chief Financial Officer (CFO).

CONCLUSION

The audit disclosed that internal controls over certain aspects of the payroll system and HR process need improvement. We found instances of undocumented overtime payments during FYs 2012 and 2013; inactive part-time employees who had not worked at UMC for over 20 pay periods; and weekend shift bonuses paid to nurses, who did not work the required weekend shifts under the Nurses' Union Contract. Additionally, we found pay rate changes were not timely entered into the HR system for four employees.

We also observed instances of "on-call hours" that deserve further examination, which we brought to management's attention. Furthermore, we found administrative errors, which management planned to correct.

SUMMARY OF RECOMMENDATIONS

We directed 5 recommendations to UMC Chief Executive Officer (CEO) and CFO. The recommendations focused on:

- Reinforce to UMC employees and supervisors the importance of documenting authorization for overtime by using the Overtime Approval Forms to ensure that the Payroll Unit maintains complete and updated records for all approved overtime.

- Implement improved internal controls over the extra weekend shift bonus to ensure accuracy of the calculations for bonus payments in compliance with the Nurses' Union Contract.

- Conduct a review of all inactive part-time employees, who are listed as "active" in the payroll system but had not worked at UMC for long periods, to determine whether these "inactive" employees should be placed in an inactive file. Accordingly, management should deactivate their access to UMC's computer system and facilities and "reactivate" when needed.

A summary of the potential benefits resulting from the audit is shown at **Exhibit A.**

EXECUTIVE SUMMARY

MANAGEMENT RESPONSE AND OIO COMMENT

OIO received written response from UMC on May 5, 2014. UMC management concurred with the recommendations and stated that additional internal controls have either been implemented to date, or are in the process of being implemented to ensure accuracy and integrity of UMC Payroll System.

We consider that UMC corrective actions are responsive and meet the intent of the recommendations. A copy of the UMC's complete response is included as **Appendix 1**.

INTRODUCTION

BACKGROUND

The mission of the UMC is to provide excellent patient care and obtain positive clinical outcomes, in a safe patient care environment while maintaining balance among cost, quality and commitment to UMC patients, medical staff, and employees.

The vision of the UMC is, in partnership with its medical staff, to promote a healthy community through the provision of a positive patient experience, wellness programs, health education and career training opportunities while building strategic relationships.

In 2010, the Government of the District of Columbia foreclosed upon the assets of the former owners of the hospital, and statutorily created the Not-For-Profit Hospital Corporation to operate the hospital as an independent instrumentality of the District Government.

The following table presents the total number of UMC employees at the end of FYs 2012 and 2013:

Table 1: Number of UMC Employees

	September 30, 2012	September 30, 2013
No. of employees at the Skilled Nursing Facility (SNF)	104	95
No. of employees at the hospital (Not-For-Profit – NFP)	875	842
Total No. of employees	**979**	**937**

The following table presents total salaries and wages, employee benefits, contract labor, professional fees, and net income (loss), reported in UMC Statement of Revenues, Expenses, and Changes in Net Assets for FYs 2012 and 2013:

Table 2: Summary of Reported Information in UMC Statement of Revenues, Expenses, and Changes in Net Assets

	FY 2012	FY 2013
Total Salaries and Wages Expense	$53 million	$50.7 million
Total Employee Benefits	12.4 million	12.8 million
Total Professional Fees	4.7 million	5.2 million
Total Contract Labor	3.7 million	2.06 million
Net income (loss)	(322,418)	427,931

UMC uses *Kronos* System and bio-metric technology to record and maintain time and attendance. The nonexempt employees swipe their badges in and out of the Hospital and use their finger-print to enter their time into the system through 12 **Badge Readers** located in the hospital.

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INTRODUCTION

Employees are assigned one or two *Badge Readers* on the floor or in the department where they work. The timekeepers and the managers are the only personnel having access to the System. The exempt employees swipe their badges only one time to sign into the system.

At the end of the pay period, the Payroll Unit transfers the hours recorded in *Kronos* into *Meditech* (UMC Information Technology System) to process the payments, deductions, and the net payment. About 80% of the UMC employees are using direct deposit and the rest are receiving checks for their salaries.

OBJECTIVES, SCOPE AND METHODOLGY

The objectives of the audit were to determine whether UMC:

1) Established effective internal controls to ensure accuracy and integrity of the Payroll System;
2) Managed its timekeeping and payroll functions in an effective and efficient manner; and
3) Complied with the requirements of applicable laws and regulations.

The audit covered the payroll system for the FYs 2012 and 2013. The audit included all full-time and part-time employees, but excluded contractors under UMC's contract labor.

In order to achieve the audit objectives, we obtained and reviewed copies of:

1) UMC Human Resources Policies and Procedures

2) UMC Payroll Policies and Procedures

3) UMC Union Contracts with:
    a) DC Nurses Association
    b) United Federation of Special Police and Security Officers
    c) International Union of Operating Engineers
    d) 1199 SEIU United Healthcare Workers East

We met and interviewed the Payroll Unit Manager and Specialists, UMC Vice President for Human Resources (HR), and the Compensation Specialist at the HR Division. We observed the paychecks and stubs distribution on November 8, 2013, during the payroll audit performed by the Payroll Unit.

We selected two statistical samples from the entire employee population at UMC for FYs 2012 and 2013. For FY 2012, the selected sample was 127 employees out of a total number of 979 employees (104 at SNF and 875 at NFP) as of September 30, 2012. For FY 2013, the selected sample was 95 employees out of a total number of 937 employees (95 at SNF and 842 at NFP) as of September 30, 2013. Employees selected for testing for FYs 2012 and 2013 totaled 222.

INTRODUCTION

For each employee in the two samples, we obtained and reviewed Payroll History Records, Timecard Audit Trails, and Timecard Signoff/Approval Audit Trails for 10 pay periods for each Fiscal Year (FY) 2012 and 2013. (Total number of Payroll History Records reviewed was 2,220). In addition, we obtained and reviewed the Payroll Check Requests, Overtime Approval Forms, and information regarding employees' position, department, status, pay rate, promotion, and termination.

Our methodology included tests designed to determine whether:

- The Payroll History Records for each employee were complete and accurate;
- An authorized manager approved reported time;
- There were signed and approved Overtime Approval Forms;
- The employee's pay rate was accurate and matched the HR records;
- Changes made in employee's status from exempt to nonexempt (or vice versa) was properly documented and approved; and
- Exempt employees received overtime pay.

We obtained and reviewed UMC Nurses' Monthly Master Schedules for the FYs 2012 and 2013. We tested these master schedules against the extra weekend shift bonuses paid to nurses in both samples. The purpose of this test was to ensure that extra weekend shift bonus payments were calculated in accordance with the Nurses' Union Contract.

We obtained a *Meditech* generated reports titled "Missing Timecard List" for the 26 pay periods for the Calendar Year (CY) 2013. We examined these reports to determine if there were any employees who did not work for 20 pay periods or more during the CY 2013.

We relied on computer-processed data from *Meditech* and *Kronos*. We did not perform a formal reliability assessment of the computer-processed data because UMC Information Technology (IT) Systems reliability tests were performed previously as part of the audit of the Comprehensive Annual Financial Report.

This performance audit was conducted 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.

FINDING AND RECOMMENDATIONS

FINDING: MANAGEMENT OF THE PAYROLL PROCESS

SYNOPSIS

We selected two statistical samples of UMC employees for FYs 2012 and 2013. We obtained and examined HR and Payroll records for every employee selected in the samples. We found:

a) inconsistent use of the Overtime Approval Forms by UMC managers;
b) extra weekend shift bonuses paid to nurses who did not work the required weekend shifts under the Nurses' Union Contract;
c) 19 inactive part-time employees who had not worked at UMC for 20 or more pay periods during CY 2013; and
d) pay rate changes for 4 employees were not timely entered into the HR system.

These conditions occurred because internal controls over the payroll system and process need improvement. As a result, there were undocumented overtime payments during FYs 2012 and 2013, in the amounts of $82,610, and $106,869 respectively; extra weekend shift bonuses that did not meet the requirements of the UMC Nurses' Union contract, for FYS 2012 and 2013, in the amounts of $4,050, and $4,675 respectively. Additionally, inactive part-time employees for exceedingly long periods, with full access to the hospital facilities, could pose a risk to the hospital records, security, patients, and property.

DISCUSSION

We obtained from UMC Payroll Unit a list of all UMC employees as of September 30, 2012 and 2013. As of September 30, 2012, UMC had 104 employees at the Skilled Nursing Facility (SNF) and 875 employees at the NFP. Total number of employees was 979. As of September 30, 2013, UMC has 95 employees at the SNF and 842 employees at the NFP. Total number of employees was 937.

For FY 2012, we selected a statistical sample[1] of 127 employees out of a population of 979. During our pre-audit meeting with UMC officials, we received information regarding the steps that UMC has taken to improve internal controls over payroll. Therefore, we reduced the auditor's expectation for risk for FY 2013 sample, compared to the FY 2012 sample. The statistical sample[2] selected for FY 2013 was 95 employees out of a population of 937.

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[1] The criteria for FY 2012 sample were: total population 979 employees, confidence level 95%, materiality level 5%, and auditor's expectation for errors 1.5%.

[2] The criteria for FY 2013 sample were: total population 937, confidence level 95%, materiality level 5%, and auditor's expectation for errors 1%.

FINDING AND RECOMMENDATIONS

We obtained from the HR Division at UMC, the Payroll Schedules for FYs 2012 and 2013. We selected randomly 10 pay periods (out of 26 pay periods) for both FYs 2012 and 2013. For every employee in the test samples, we obtained and reviewed Payroll History Records, Timecard Audit Trails, and Timecard Signoff/Approval Audit Trails for 10 pay periods for both FYs 2012 and 2013. Total number of Payroll History Records reviewed was 2,220.

In addition, for each employee in the two samples, we obtained and reviewed the Payroll Check Requests, Overtime Approval Forms, and information regarding employees' position, department, status, pay rate, promotion, and termination.

- ***Undocumented Overtime***

UMC Human Resources Policies and Procedures No. HRD 04-004, stated "Overtime must be approved in writing by the Department Head."

We reviewed and examined the overtime hours and payments reported in the Payroll History Records for the employees selected in the sample for FYs 2012 and 2013. The purpose of this examination was to determine whether there were signed and approved Overtime Approval Forms for the overtime hours recorded and paid.

For FY 2012, we found that 54 employees, from the sample size of 127 employees, received undocumented overtime payments. Total undocumented overtime hours were 1,891, for total payment of $82,610. For FY 2013, we found that 48 employees from the sample size of 95 employees, received undocumented overtime payments. Total undocumented overtime hours were about 3,026 for total payment of $106,869.

We briefed the UMC officials about this finding and UMC CFO stated that UMC management is aware of this issue and UMC management will take the necessary corrective actions to mitigate the risk of paying undocumented overtime hours.

- ***Extra Weekend Shift Bonus***

UMC Nurses' Union Contract, Section 4, stated: "Regular full-time and regular part-time nurses who work weekend shifts in addition to their four (4) weekend shifts per month requirements will receive $150 bonus for each 8-hour extra weekend shift worked, $250 for each 12-hour extra weekend shift worked, and $300 for each 16-hour extra weekend shift worked." Also, the Nurses' Union Contract defines the weekend as the working hours from 7:00 a.m. Saturday to 7:00 a.m. Monday.

We obtained and reviewed UMC Nurses' Monthly Master Schedules for the FYs 2012 and 2013. We tested these master schedules against the Extra Weekend Shift Bonuses for Nurses (WBN) paid to nurses in the samples for FYs 2012 and 2013. The purpose of this test was to determine whether the extra weekend shift bonus payments were calculated in accordance with the Nurses' Union Contract.

FINDING AND RECOMMENDATIONS

For FY 2012, we found that 7 nurses received WBN, 5 of whom did not work the required number of weekend shifts, in compliance with the Nurses' Union Contract (total WBN paid to these nurses was $4,050). The following table presents analysis of the weekend shifts and bonuses for the five nurses, along with the differences (variances) between number of weekend shifts required to earn specific bonus and the actual weekend shifts worked.

Table 3: FY 2012 Extra Weekend Shift Bonus: Finding and Analysis

No.	Weekend Bonus Hours received in One Month	Time Card Date	Bonus Amount Received	No. of Weekend Shifts Required To Earn Bonus Received	No. of Weekend Shifts Worked	Variance
Nurse 1	2	6/30/12	$450	6	3	(3)
Nurse 2	1	8/25/12	$150	5	4	(1)
Nurse 3	2	6/30/12	$450	6	3	(3)
	3	8/25/12	$750	7	3	(4)
	6	9/22/12	$1350	10	7	(3)
Nurse 4	4	8/25/12	$400	8	5	(3)
	3	9/22/12	$300	7	4	(3)
Nurse 5	2	8/25/12	$200	6	4	(2)
Total Bonus Amount Received			$4,050	-	-	-

For FY 2013, we found that 13 nurses received WBN, 6 of whom did not work the required weekend shifts, in compliance with the Nurses' Union Contract (total WBN paid to these nurses was $4,675). The following table presents analysis of the weekend shifts and bonuses for the six nurses, along with the differences (variances) between number of weekend shifts required to earn specific bonus and the actual weekend shifts worked.

FINDING AND RECOMMENDATIONS

Table 4: FY 2013 Extra Weekend Shift Bonus: Finding and Analysis

No.	Weekend Bonus Hours received in One Month	Time Card Date	Bonus Amount Received	No. of Weekend Shifts Required To Earn Bonus Received	No. of Weekend Shifts Worked	Variance
Nurse 1	2	11/17/12	$300	6	5	(1)
	2	9/21/13	$300	6	5	(1)
Nurse 2	3	12/15/12	$675	7	5	(2)
	1	11/17/12	$225	5	3	(2)
Nurse 3	2	11/17/12	$300	6	5	(1)
Nurse 4	4	11/17/12	$400	8	4	(4)
Nurse 5	2	12/15/12	$450	6	4	(2)
	2	6/01/13	$450	6	5	(1)
	3	9/21/13	$675	7	5	(2)
Nurse 6	3	4/6/13	$450	7	4	(3)
	3	5/4/13	$450	7	5	(2)
Total Bonus Amount Received			**$4,675**	-	-	-

- ***Inactive Part-Time Employees***

We reviewed the Payroll History Records for 10 pay periods for 222 employees selected for FYs 2012 and 2013 samples. During our review, we noted that several employees did not have any timecards (working hours) for several pay periods, and no related payments were recorded.

For FY 2012, we found "missing time cards" for the 10 pay periods (included in the test sample), for two employees and missing time cards for 4 pay periods for one employee.

For FY 2013, we found "missing time cards" for the 10 pay periods (included in the test sample) for one employee and missing timecards for 7 pay periods for another employee.

Based on our initial finding, we expanded the scope of testing for inactive part-time employees to include the entire Calendar Year (CY) 2013. We obtained and reviewed *Meditech* generated reports titled "**Missing Timecard List**" for 26 pay periods for CY 2013. We examined these reports to determine if there was any employee who had not worked for 20 pay periods or more during the CY 2013.

Table 5 below presents the results of this test, which shows the number of employees who had missing timecards for 20 to 26 pay periods during CY 2013.

FINDING AND RECOMMENDATIONS

Table 5: CY 2013 Missing Timecards

No. of Missing Timecards	No. of Employees
26	5
25	6
24	1
23	3
22	1
21	1
20	2
Total	**19**

We understand that the nature of the health care business activities and environment require UMC to hire part-time employees to be available to provide the necessary health care services when needed. However, "part-time employees", inactive for exceedingly long periods with full access to the hospital facilities could pose a risk to the hospital records, security, patients, and property.

- ***Change Pay Rate***

We reviewed the pay rates recorded in the employees' HR Records and compared these rates to the ones used to calculate the salaries and wages for the employees selected in the sample for FYs 2012 and 2013.

We found an instance where the pay rate for 4 employees was increased by their respective departments but the new pay rate was not used to calculate the employees' earnings until 7 or 8 months later. Since the 4 employees received *Retro* payment at later dates, it appears to us that the pay rate change was entered into *Meditech* system later.

Example: we found an employee's pay rate was changed effective 11/06/2011, from $22.19 to become $22.86 per hour. The old pay rate was used to calculate the employee's earnings for 8 months, beyond the effective date of the new pay rate. On 07/06/2012, the new rate was applied and the employee received the *Retro* payment, due to the delay in recognizing the pay rate change.

We informed the HR Compensation Specialist about this finding, who confirmed that this was a mistake by not entering the pay rate change in a timely manner.

FINDING AND RECOMMENDATIONS

Other Matters

Item 1: "On-Call Hours"

The accreditation requirements and the Federal Laws including "The Emergency Medical Treatment and Active Labor Act" (EMTALA) require UMC to keep a certain level of availability of doctors and nurses to ensure that emergency medical services are provided when needed. UMC uses on-call hours for doctors, nurses, and medical technicians to ensure sufficient medical coverage for emergencies. UMC HR Policies and Procedures (HRD No. 04-006) stated that "employees, in selected departments, who are scheduled as "on-call" for emergency coverage, will be paid at a special rate for those hours while on-call."

During our audit, we observed the following "on-call hours" instances:

- A nonexempt medical technician, during FY 2012, received wages for 99, 63 and 24 on-call hours in three pay periods, but neither regular working hours nor call-back hours were recorded. In another pay period, the employee worked 1.633 regular hour and recorded 112.5 on-call hours.

- A nonexempt nurse, during FY 2013, worked 11 and 18 regular hours in two pay periods, and recorded 88 on-call hours in both pay periods, and no call-back hours were recorded. In 4 pay periods, there were on-call hours (40, 40, 56, and 12 hours) and neither regular working hours nor call back hours were recorded.

- An exempt doctor received on-call hours wages for the 20 pay periods selected for our testing for FYs 2012 and 2013, and there were no call-back hours reported. This employee received wages for 146 on-call hours in one pay period out of a total of 226 hours reported for that pay period.

We informed the HR Compensation Specialist and Payroll Unit Manager and Specialists about these instances. They stated that on-call hours are managed by each medical department to ensure sufficient medical coverage for emergencies. We found that internal controls over on-call hours need improvement to ensure that these hours are reviewed and examined by the HR Division and Payroll Unit against each medical department's policy for emergency coverage, and to prevent any abuse of these hours.

UMC management advised that "on-call hours" coverage constitute a policy decision of the hospital management. Also, UMC management may examine certain types of medical coverage to determine efficiency and necessity.

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Item 2: Changing Employee's Status

We found an exempt employee, during FY 2012, punched into *Kronos Badge Reader* once as an exempt employee; then in the afternoon, punched in again, entered another department number and changed work status "from exempt to nonexempt". The next day, the employee punched in again as an exempt employee. On 4/4/2012, at 11:23 a.m., the employee punched in; then at 4:24 p.m., punched in, enter another department code number, then at 8:31 p.m., punched out. On 4/5/2012, the employee punched in once as an exempt employee.

We informed UMC CFO of this observation. He stated that UMC has made the necessary changes to the system to prevent employees from changing their working status.

Item 3: Administrative Errors

- We found an employee was transferred from being an exempt employee to "independent contractor." The termination date written on the Personnel Action Request was 1/12/2013, while the termination date shown in *Meditech* HR Records is 1/13/2012. We informed UMC officials about this error. The HR Compensation Specialist stated that the error will be corrected.

- We found a Behavioral Health Intake Coordinator received a nurse's Retention Bonus *"REN/BON."* We informed UMC officials, and the Payroll Unit Manager stated that this was due to an error in the Code entered into the system, and it should have been coded as Additional Pay "Add Pay."

FINDING AND RECOMMENDATIONS

RECOMMENDATIONS

We recommend that the UMC Chief Executive Officer (CEO) and the CFO:

1. Reinforce to UMC employees and supervisors the importance of documenting authorization for overtime by using the Overtime Approval Forms to ensure that the Payroll Unit maintains complete and updated records for all approved overtime.

2. Implement improved internal controls over the extra weekend shift bonus to ensure accuracy of the calculations for bonus payments in compliance with the Nurses' Union Contract.

3. Conduct a review of all inactive part-time employees, who are listed as "active" in the payroll system but had not worked at UMC for long periods, to determine whether these "inactive" employees should be placed in an inactive file. Accordingly, management should deactivate their access to UMC's computer system and facilities and "reactivate" when needed.

4. Reinforce to the HR Division the importance of management review of changes made in employees' records to ensure accuracy and timely recording into the system.

5. Develop and implement effective internal controls to ensure that the HR Division and the Payroll Unit review and examine the on-call hours against each medical department's policy for medical emergency coverage, to prevent any excessive use of these hours.

MANAGEMENT RESPONSES AND OIO COMMENTS

Management Response (Recommendation 1)

UMC concurred with the recommendation and stated that UMC Departments submit signed and approved Overtime Forms to the OCFO-Payroll Department for review and validation. The OCFO-Payroll Department processes for payment only the overtime that has been approved per Overtime Approval Forms.

OIO Comment

UMC corrective actions taken are responsive and meet the intent of the recommendation.

Management Response (Recommendation 2)

UMC concurred with the recommendation and stated that OCFO-Payroll Department reviews routinely and recalculates the extra weekend shift bonus calculations prepared by the Nursing Department to ensure accuracy in accordance with the Nurses' Union Contract. The review of

FINDING AND RECOMMENDATIONS

extra weekend shift bonus calculation is conducted at the end of each pay period by the OCFO-Payroll Department.

OIO Comment

UMC corrective actions taken meet the intent of the recommendation.

Management Response (Recommendation 3)

UMC concurred with the recommendation and stated that the Human Resources Department will compile a listing of all inactive part-time employees within the Meditech system. The employment status of these employees will be provided to the Department Manager for review. The Department Manager is to determine if inactive part-time employees should be classified from active to inactive. Part-time employees that have not worked at UMC for long periods of time will be placed in an inactive status in the Meditech system upon completion and approval of the Personnel Action Request Form (PAR) by the Department Manager.

OIO Comment

UMC corrective actions planned are responsive and meet the intent of the recommendation.

Management Response (Recommendation 4)

UMC concurred with the recommendation and stated that the Human Resources Department will provide copies of pay rate changes to OCFO-Payroll Department. The OCFO-Payroll Department is confirming changes made, via the payroll system, to ensure employee record and pay rate(s) are updated accurately, and recordation in the Meditech system is done in a timely manner.

OIO Comment

UMC corrective actions taken are responsive and meet the intent of the recommendation.

Management Response (Recommendation 5)

UMC concurred with the recommendation and stated that the IT Department will develop a report from the Kronos system to report on "on-call hours" utilized by departments during the pay period. OCFO-Payroll Department will obtain each medical department policy for emergency coverage and conduct a review of on-call hours utilized during the pay period against each medical department policy.

OIO Comment

UMC corrective actions planned are responsive and meet the intent of the recommendation.

EXHIBIT A: SUMMARY OF POTENTIAL BENEFITS RESULTING FROM THE AUDIT

No.	Recommendations	Type of Benefit	Agency Reported Estimated Completion Date	Status[3]
1	Reinforce to UMC employees and supervisors the importance of documenting authorization for overtime by using the Overtime Approval Forms to ensure that the Payroll Unit maintains complete and updated records for all approved overtime.	Economy and Internal Controls	May 5, 2014	Closed
2	Implement improved internal controls over the extra weekend shift bonus to ensure accuracy of the calculations for bonus payments in compliance with the Nurses' Union Contract.	Economy and Internal Controls	April 2014	Closed
3	Conduct a review of all inactive part-time employees, who are listed as "active" in the payroll system but had not worked at UMC for long periods, to determine whether these "inactive" employees should be placed in an inactive file. Accordingly, management should deactivate their access to UMC's computer system and facilities and "reactivate" when needed.	Internal Controls	May 31, 2014	Open
4	Reinforce to the HR Division the importance of management review of changes made in employees' records to ensure accuracy and timely recording into the system.	Internal Controls	May 5, 2014	Closed
5	Develop and implement effective internal controls to ensure that the HR Division and the Payroll Unit review and examine the on-call hours against each medical department's policy for medical emergency coverage, to prevent any excessive use of these hours.	Internal Controls	May 31, 2014	Open

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[3] This column provides the status of a recommendation as of the report date. For final reports, "**open**" means management and the OIO are in agreement on the action to be taken, but is not complete. "**Closed**" means management has advised that action necessary to correct the deficiency is complete. If a completion date was not provided, the date of management's response is used. "**Unresolved**" means that management has neither agreed to take the recommended action nor proposed a satisfactory alternative action to correct the condition.

APPENDIX 1: UMC MANAGEMENT'S RESPONSE

From: Michael Davis [mailto:MDavis@United-MedicalCenter.com]

Sent: Monday, May 05, 2014 10:44 AM

To: Yusuff, Mohamad (OCFO)
Cc: Ferguson, Takiea (OCFO); AbdelGhany, Khaled (OCFO); Ronald Walker; Patricia Rhodes; Jackie Johnson; Chris Gardiner; David Small

Subject: RE: UMS's Response to OIO Draft Report
Importance: High

Good morning Yusuff

Please find attached the management response to the OIO Draft Report on payroll. As you will note, of the 5 weaknesses identified, 3 have already been addressed and are considered closed and 2 will be closed on or before May 31.

Please let me know if you need additional information. We actually had this finalized last week, but I wanted to revalidate our operating protocols prior to submission.

Michael. E. Davis
CFO - Not-For-Profit Hospital Corporation
United Medical Center
Government of the District of Columbia
Office of the Chief Financial Officer
Email: mdavis@united-medicalcenter.com
Work: 202-574-6008
Mobile: 202-380-6767

APPENDIX 1: UMC MANAGEMENT'S RESPONSE

View of Responsible Officials

Management concurs with the findings and recommendations as outlined by the Office of Integrity and Oversight (OIO). Additional internal controls have either been implemented to date or are in the process of being implemented to ensure the accuracy and integrity of the Payroll system, that timekeeping and payroll functions are managed effectively and in an efficient manner and the Hospital's payroll system is in compliance with the requirements of applicable laws and regulations. Our response(s) and completion timeframes are as follows:

No.	Recommendations	Type of Benefit	Agency Response and Estimated Completion Date	Status*
1	Reinforce to UMC employees and supervisors the importance of documenting authorization for overtime by using the Overtime Approval forms to ensure that the Payroll Unit maintains complete and updated records for all approved overtime.	Economy and Internal Controls	UMC management has taken the necessary corrective actions to enhance its internal controls over the payment of unauthorized overtime. Overtime Approval Forms must be signed and approved before staff works overtime. Departments submit signed and approved Overtime Forms to the OCFO-Payroll Department for review and validation. The OCFO-Payroll Department processes for payment only the overtime that has been approved per the Overtime Approval Forms. Management developed a Weekly Overtime Report (by employee name and department) which is distributed each week to department heads and executive management. This report provides an effective tool for management to monitor overtime hours within the department and by employee name.	Closed
2	Implement improved internal controls over the extra weekend shift bonus to ensure accuracy of the calculations for bonus payments in compliance with the Nurses' Union Contract.	Economy and Internal Controls	UMC management has implemented the following control to mitigate the risk of inaccurate calculations of bonus payments for nurses that work extra weekend shifts. OCFO-Payroll Department reviews routinely and recalculates the extra weekend shift bonus calculations prepared by the Nursing Department to ensure accuracy in accordance with the Nurses' Union Contract. The review of extra weekend shift bonus calculation is conducted at the end of each pay period by OCFO-Payroll Department. This new internal control was implemented in April 2014 and is working effectively to monitor calculations of the weekend shift bonus and reduce overpayments to nurse employees that qualify for this benefit.	Closed

APPENDIX 1: UMC MANAGEMENT'S RESPONSE

No.	Recommendations	Type of Benefit	Agency Response and Estimated Completion Date	Status*
3	Conduct a review of all inactive part-time employees, who are listed as "active" in the payroll system but had not worked at UMC for long periods, to determine whether these "inactive" employees should be placed in an inactive file. Accordingly, management should deactivate their access to UMC's computer system and facilities and "reactivate" when needed.	Internal Controls	UMC management is in the process of implementing controls to mitigate the risk of having inactive part-time employees classified as active employees in the payroll system. The Human Resources department will compile a listing of all inactive part-time employees listed within the Meditech system. The employment status of these employees will be provided to the department manager for review. The department manager is to determine if inactive part-time employees should be classified from active to inactive. Part-time employees that have not worked at UMC for long periods of time will be placed in an inactive status in the Meditech system upon completion and approval of the personnel action request form (PAR) by the department manager; (implement on or before – May 31, 2014) Going forward, the Human Resources Department will routinely generate each month a listing of part-time employees and will provide the listing to department managers for their review, updating and approval. Department Managers will notify the IT Department to de-activate access to UMC systems on those part-time employees having an inactive status upon completion of their review process for inactive part-time employees. The HR Department currently sends a monthly termination listing to the IT Department for action and this listing includes part-time employees; (implement on or before – May 31, 2014) The IT department will suspend all access to UMC systems for part-time employees identified as being inactive upon notification from the Human Resources Department; (implement on or before– May 31, 2014)	Open
4	Reinforce to the HR division the importance of management review of the changes made in employees' records to ensure accuracy and timely recording into the system.	Internal Controls	UMC management has implemented the following control to mitigate the risk of inaccurate and untimely changes made to employee records in the HR system. The Human Resources Department will provide copies of pay rate changes to OCFO-Payroll department. The OCFO-Payroll Department is confirming changes made, via the payroll system, to ensure employee record and pay rate(s) are updated accurately and recordation in the Meditech system is done in a timely manner.	Closed

APPENDIX 1: UMC MANAGEMENT'S RESPONSE

No.	Recommendations	Type of Benefit	Agency Response and Estimated Completion Date	Status*
5	Develop and implement effective internal controls to ensure that the HR Division and the Payroll Unit reviews and examines the on-call hours against each medical department's policy for medical emergency coverage, to prevent any excessive use of these hours.	Internal Controls	UMC management has taken the necessary corrective actions to monitor the use of on-call hours and prevent any abuse of these hours by departments at Not-For-Profit Hospital Corporation, commonly known as United Medical Center. IT Department will develop report from KRONOS system to report on on-call hours utilized by departments during the pay period; (implement on or before– May 31, 2014) OCFO-Payroll Department will obtain each medical departments policy for emergency coverage; (implement on or before– May 31, 2014) OCFO-Payroll department will conduct a review on on-call hours utilized during the pay period against each medical departments policy; (implement on or before– May 31, 2014)	Open

*- Status:

Open – management advises that action is to be taken, but is not complete

Closed – management advises that action necessary to correct the deficiency is complete