



Internal Audit Department
350 South 5th Street, Suite 302
Minneapolis, MN 55415-1316
(612) 673-2056

Audit Team on the Engagement:
Jacob Claeys
Magdy Mossaad

Timekeeping System Pre-Implementation Review

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To: Kevin Carpenter, Chief Financial Officer
Otto Doll, Chief Information Officer
Pam French, Director of Human Resources

Re: Timekeeping System Pre-Implementation Review

The Internal Audit Department (IA) conducted a pre-implementation review of the PeopleSoft Time and Labor module (T&L). This review was included in the 2011 Internal Audit Plan, and was completed prior to the go live system implementation date of May 16, 2011.

Background

T&L is a module in the PeopleSoft Human Resources Information System (HRIS) that provides City employees the ability to report their timesheet online. T&L will be used by all City Departments and Boards except those Departments that currently use WorkForce Director (WFD).¹ As of 4/22/2011 payroll, there were 5,164 employees on the City's payroll. Prior to the implementation of T&L, approximately 3,617 City employees would submit paper timesheets to the appropriate supervisor for approval. Once approved, the paper timesheets were sent to Central Payroll, where the data was manually entered into the payroll module in HRIS. Of the 3,617 employees, approximately 834 were classified as exempt.²

Full implementation of the T&L module is expected to eliminate the manual data entry and greatly improve consistency of the time entry process; therefore, increasing efficiency in and integrity of the timekeeping process.

The following benefits will be recognized through the implementation of T&L:

- Employees, through self-service, will be able to enter payable time equivalent to approximately \$208 million annually;
- Electronic time sheets;
- Standardizing payroll processes throughout the City; and
- Standardizing rules surrounding union contracts.

The implementation of T&L will be rolled out in phases throughout the City and is anticipated to be fully implemented by the end of 2011.

¹ WorkForce Director (WFD) is an electronic employee management tool that provides the ability to manage the scheduled allocation and daily assignment of human resources for all 24-7 operations in the City (scheduling and time tracking). As of 4/22/2011 payroll, there were approximately 1,547 City employees performing 24-7 operations that electronically entered time in WorkForce Director.

² Employees classified as "exempt" are not entitled to overtime pay, according to the Fair Labor Standards Act (FLSA).

Scope

Our audit work was related to verifying that adequate controls were in place prior to the implementation of the new timekeeping system. The scope of this review included the following areas:

- Training Plan
- Overall Test Plan and Quality Assurance (QA)
- End User Acceptance
- Security Testing
- Change Management

Objectives

Audit objectives were to ensure a successful implementation of T&L and to determine whether:

- 1) Controls were appropriately designed in T&L;
- 2) Process performers understood their roles in processing time reporting;
- 3) The T&L system was tested to ensure it was functioning as intended; and
- 4) End users were adequately trained on using T&L.

Summary of Findings and Management Action Plans:

- Time entry was not required for exempt employees, and management approval for the time entry was not required. *The T&L project management team has incorporated controls into the T&L module system to require each exempt employee below the Charter Department Head³ level to consistently enter time into their online timesheets and self approve; in addition, supervisory approval is required.* (Ref # 1 below, Accountability for Exempt Employees' Time)
- The T&L project has been driven mainly by outside consultants, therefore there is a concern the expertise and knowledge relating to the T&L project may not be transferred appropriately to City personnel. *T&L knowledge transfer sessions amongst appropriate Business Information Services (BIS), Human Resources Technology Solutions (HRTS) and Payroll staff are scheduled to be completed by the end of June, 2011. BIS will develop knowledge transfer guidelines for appropriate projects.* (Ref # 2 below, Transfer of Knowledge to City)
- There is no formal documentation in place to identify, assess and mitigate risks for the T&L system implementation. *BIS, working jointly with Finance and HRTS, will develop a risk assessment and control documentation methodology for appropriate projects within budgetary and staffing constraints.* (Ref # 3 below, Initial Risk Assessment and Control Documentation)
- The project manager responsible for the implementation of T&L also performs some of the QA activities, when these duties should be segregated. *BIS will develop a quality assurance policy to require an independent QA, separate from the project implementation management team. The decision of hiring an independent consultant will be based on project complexity and cost within budgetary and staffing constraints.* (Ref # 4 below, Quality Assurance Activities)
- Project management tools are inadequately maintained. *BIS will develop a policy to incorporate expectations relating to project management tools as part of its project plans within budgetary and staffing constraints.* (Ref # 5 below, Project Management Tools)
- There was no stress testing performed before implementing T&L, as the City doesn't have the needed tools to perform such a test. *BIS will consider the use of stress testing tools as well as other options within budgetary and staffing constraints.* (Ref # 6 below, Stress Testing)

³ Charter Department Heads are appointed through a process set forth in the City of Minneapolis Charter: Chapter 3, Section 4. Charter Department Heads are nominated by the Mayor of Minneapolis and then appointed by the Executive Committee. This appointment then needs to be approved by the City Council.

- The reliance on User Acceptance Testing is based on verbal communication. There was no formal process in place to require a signed written acceptance of the end user who performed the test and accepted the test results. *BIS will establish formal guidelines to require end users to formally accept the new system based on project complexity and cost.* (Ref # 7 below, User Acceptance Testing)
- Change Management, the process for documenting changes to the project, was not formally utilized in the T&L implementation. *BIS will establish additional formal processes to ensure adequate change management is incorporated.* (Ref # 8 below, Change Management)

While this review focused on the T&L pre-implementation, the majority of management action plans will help new future Information Technology (IT) system implementation projects to be more successful.

Conclusion

Based on our review, we believe there are opportunities for improvements to address risk areas identified in this report. BIS, Finance and HRTS worked collaboratively with Internal Audit to develop action plans that effectively address these risk exposures. The risks identified in this report should not have a direct negative impact on the T&L system to commence as planned.

IA would like to extend our appreciation to the BIS, Finance and HRTS personnel who assisted and cooperated with us during this review.

Timekeeping System Pre-Implementation Review

Audit Findings and Action Plans

1. Accountability for Exempt Employees' Time

There was no process in place to require exempt employees to enter time into their online timesheets and either self approve or require their supervisor to approve it. When there is an exception (i.e. vacation, sick leave, etc.), an employee is expected to complete his/her timesheet, self approve his/her timesheet, and the system automatically forwards the timesheet to his/her supervisor for approval.

To ensure appropriate accountability for time reporting throughout the City, timesheets should be entered and self-approved by exempt employees to ensure they review and validate the accuracy of their time reported. Additionally, supervisors should review and approve exempt employee timesheets to ensure accuracy and accountability.

Lack of T&L system required submittals and approvals may create opportunities for unintentional or intentional errors in time reporting, which may increase the risk of asset misappropriation to the City.

Recommendation

IA recommends the T&L project management team build controls into the system to require each exempt employee to consistently sign off on his/her timesheet. Also, supervisory review and authorization should take place prior to payroll processing.

We acknowledge that the T&L project management team has already taken necessary action to address the changes recommended to the T&L system that requires exempt employees below the Charter Department Head level and their supervisors to sign off on time reporting.

Management Action Plan

The T&L project management team has incorporated controls into the T&L application. These controls require each exempt employee below the Charter Department Head level to consistently enter time into their online timesheets and self approve. In addition, supervisory approval is required.

Responsible Party

T&L project management team

Expected Completion Date

Completed

2. Transfer of Knowledge to City

The T&L project implementation has been driven mainly by outside consultants due to the lack of technological resources throughout the City, which is common in IT business practices. There is a concern that the transfer of necessary technical knowledge to City personnel is not fully developed to ensure a successful transition. Furthermore, once the contracts with the consultants come to an end, the knowledge and expertise used during the implementation of the T&L project may not be transferred to appropriate City personnel (i.e. HRTS, Central Payroll, and

BIS) responsible to maintain the system. Without adequate knowledge transfer to City personnel, there is a risk the system may not be maintained appropriately.

Recommendation

IA recommends BIS develop a transition plan to appropriately transfer knowledge from the consultants to City personnel. In addition, we recommend BIS establishes guidelines or an internal policy to ensure knowledge transfer is planned for and included in future projects. We acknowledge the knowledge transfer process may add cost to projects commensurate with system complexity; however, the efficiencies gained by increased internal knowledge and skills should outweigh costs associated with the knowledge transfer process.

Management Action Plan

T&L knowledge transfer sessions amongst appropriate BIS, HRTS and Payroll staff are scheduled to be completed before the consultants depart. BIS will develop knowledge transfer guidelines for appropriate projects.

Responsible Party

Beth Cousins, Deputy Chief Information Officer, BIS
Richard Martonik, Director of HRTS
Bert Sletten, Manager, BIS

Expected Completion Date

June 30, 2011 for transferring knowledge
July 31, 2011 for developing guidelines

3. Initial Risk Assessment and Control Documentation

There is no formal documentation in place to identify, assess and mitigate risks for the T&L system implementation. In planning for a new system, it is a good business practice to develop a risk assessment and control document, which contains a list of potential risks, assessment of these risks, and associated controls that will be built into the process of the new system to address these risk exposures.

Lack of a risk assessment and control document may result in omitting some necessary controls during the project's planning phase. This could negatively impact the efficiency and effectiveness of the project, compliance with rules and regulations surrounding the project, safeguarding of the City's assets, and may potentially add costs later, if changes are needed.

Recommendation

IA recommends, for future projects, consideration be given to establish a formal policy or guidelines that will require, during the project's planning phase, developing a risk assessment and control document to identify potential risks and controls that should be in place to mitigate the risks. We acknowledge developing the risk assessment and control documentation process may add cost to projects; however, it may also avoid potential costs for additional work at a later stage as a result of overlooked or missed key control(s) that may need to be built into the system.

Management Action Plan

BIS will develop a risk assessment and control methodology to be consistently implemented; however, the Chief Information Officer (CIO) may grant exceptions for appropriate projects within budgetary and staffing constraints.

Responsible Party

Beth Cousins, Deputy Chief Information Officer, BIS working jointly with:
Richard Martonik, Director of HRTS and
LeaAnn Stagg, Interim Controller

Expected Completion Date

December 31, 2011

4. Quality Assurance Activities

The project manager responsible for the implementation of T&L also performs some QA activities. The QA function should be a separate and independent function of the system implementation to ensure objectivity of the quality assessment. Lack of independent QA activities may have a negative impact on the quality of the system implementation.

Recommendation

We recommend for future projects, that BIS establish a policy or guidelines requiring the QA function be separate from the project implementation management team. Based on the complexity and the cost of the project, we recommend BIS management use their judgment to determine the level of independence necessary for the QA function (i.e. an independent QA consultant, or a City employee outside of the project implementation team). We acknowledge the independence of the QA may have additional costs associated with the project, but savings may also be realized if the project is completed more timely and efficiently.

Management Action Plan

BIS will develop a quality assurance policy to require an independent QA, separate from the project implementation management team; the decision of hiring an independent consultant will be based on project complexity and cost within budgetary and staffing constraints.

Responsible Party

Beth Cousins, Deputy Chief Information Officer, BIS

Expected Completion Date

August 31, 2011

5. Project Management Tools

Project management tools play a key role in a successful system implementation. In reviewing some of the project management tools used for the T&L implementation, we found they were not adequately maintained.

- The Test Script Issues Log, used to track and monitor issues resulting from performing system tests, revealed some instances where items were not identified or clearly defined, and therefore open for interpretation (i.e. process owners for some tasks were not identified; test purpose, in some processes, were not identified; actual results, in some cases, were not clearly defined and open for interpretation; expected results were not listed for all test processes; due dates, in some cases, were not defined).

- The T&L Mailbox Issues Log, used to report issues from designated testers throughout the City, revealed some instances where items were not clearly defined (i.e. source of e-mail, in some cases, was not identified; issues not assigned priority, in some cases; no revised dates or comments to explain the progress of past due issues).

Lack of adequate project management tool maintenance may lead to expending additional unnecessary efforts, which may have a negative impact on the timely completion and cost of the project.

Recommendation

IA recommends, for future projects, the project sponsor, BIS, and the project manager define expectations surrounding project management tools used. Stressing the importance of maintaining complete information within such tools will help ensure the effectiveness of the project management tools as well as a successful system implementation.

Management Action Plan

BIS will develop a policy to incorporate expectations relating to project management tools as part of its project plans within budgetary and staffing constraints.

Responsible Party

Beth Cousins, Deputy Chief Information Officer, BIS

Expected Completion Date

July 31, 2011

6. Stress Testing

Stress testing is the process of determining the ability of a computer, network, program or device to maintain a certain level of effectiveness and performance under unfavorable conditions, and should be performed when introducing key software similar to the T&L implementation. There was no stress testing performed prior to implementing T&L, as the City doesn't have the necessary tools or the specialized skills to perform this test. As the T&L system will be used by a large number of users, there is a potential for adverse outcomes (i.e. the entire system may crash).

Recommendation

While we understand the needed tool is expensive, IA recommends BIS management perform a cost benefit analysis to determine whether to acquire stress test tools, outsource the process to a capable consultant, or use any other methods, as appropriate.

Management Action Plan

BIS will consider the use of stress testing tools as well as other options within budgetary and staffing constraints.

Responsible Party

Beth Cousins, Deputy Chief Information Officer, BIS

Expected Completion Date

December 31, 2011

7. User Acceptance Testing

User Acceptance Testing is performed by users who will operate the system once it has been implemented (i.e. City personnel). These users are in the best position to check a system to see if it will deliver the intended benefits to the City.

Currently, the reliance on the User Acceptance Testing is based on verbal communication. There was no formal process in place to require a signed written acceptance of the end user who performed the test and accepted the test results. Good business practices require ensuring that the system meets end users needs. Without the signed formal acceptance, there is a potential risk of not meeting the end user requirements.

Recommendation

IA recommends BIS establish and enforce a formal policy to require signed written documentation for end user acceptance. The end user acceptance should be a key document, reviewed by project management, before the go live date.

Management Action Plan

BIS will establish formal guidelines to require end users to formally accept the new system. The level of documentation used will be based on project complexity and cost.

Responsible Party

Beth Cousins, Deputy Chief Information Officer, BIS

Expected Completion Date

September 30, 2011

8. Change Management

The process of documenting changes as part of Change Management was not formally utilized in the T&L implementation. An appropriate formal Change Management process helps ensure effective and efficient handling of all changes to the system. It also allows for proper prioritization, helps in developing business justification and obtaining proper approval, managing and coordinating change implementation, monitoring and reporting on implementation, and reviewing and closing change requests.

Without a formal Change Management process, there is a risk that requests for changes, proposed changes, and change authorizations may not be captured efficiently and effectively. As a result, there is a potential for inefficient use of resources leading to additional costs as well as extending the time necessary to complete the changes and/or the project.

Recommendation

For future projects, IA recommends BIS develop and enforce a formal Change Management process to be utilized.

Management Action Plan

BIS will establish additional formal processes to ensure adequate change management is incorporated.

Responsible Party

Beth Cousins, Deputy Chief Information Officer, BIS

Expected Completion Date

July 31, 2011

Abbreviations Used Throughout the Report	
BIS	Business Information Services
FLSA	Fair Labor Standards Act
HRIS	Human Resources Information System
HRTS	Human Resources Technology Solutions
IA	Internal Audit
IT	Information Technology
QA	Quality Assurance
T&L	PeopleSoft Time and Labor module
WFD	WorkForce Director