



## INSPECTOR GENERAL REPORT

2010-11-0287

December 17, 2010

### FSSA ATTENDANCE REPORTS

*Inspector General David O. Thomas reports as follows:*

This report addresses the compliance by the Family and Social Services Administration (FSSA) with a previous review of it by the State Board of Accounts (SBOA) in Report Number B33274.

The SBOA periodically reviews state agencies for compliance with the SBOA Accounting and Uniform Compliance Guidelines Manuals (“Manuals”). IC 5-11-1-24. The SBOA may also review agencies for compliance with “any” law. IC 5-11-5-1(a).

The OIG is responsible for addressing fraud, waste, abuse, and wrongdoing in agencies. IC 4-2-7-2. The OIG is also charged to initiate, supervise, and coordinate investigations, recommend policies and carry out other activities designed to deter, detect, and eradicate fraud, waste, abuse, mismanagement, and misconduct in state government, and to provide advice to an agency on developing, implementing, and enforcing policies and procedures to

prevent or reduce the risk of fraudulent or wrongful acts within the agency. IC 4-2-7-3.

In this case, a previous SBOA finding was chosen that addressed the issuance of Attendance Reports with regard to overtime. These rules are addressed in the SBOA Manuals.<sup>1</sup> Attendance Reports are written commitments by state employees to the hours they work. They are instituted to insure that salaries are paid appropriately. In addition, they provide physical evidence should a question regarding work hours arise in the future. These reports also monitor and account for the proper use of leave time accumulated by state workers.

FSSA cooperated in this review. In fact, FSSA and its internal auditing unit had already addressed this issue prior to our review.

To address these issues, we found that a written audit plan was formulated by FSSA on April 7, 2009. *See Exhibit A, attached.*

Next, we observed that the FSSA Audit Team analyzed the issue and made written findings through documentation and cover letters of July 10, 2009, and September 17, 2009. *See Exhibit B, attached.* During the course of this FSSA audit review, it appeared that specific cases were examined and evaluated. The cause and effect of Attendance Report issues were analyzed, and corrective actions were noted along with the written findings.

Finally, we reviewed documentation that the issue was re-examined by the

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<sup>1</sup> Each agency, department, institution or office should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of managements' objectives, and compliance with laws and regulations. *Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1.*

FSSA Audit Team as reflected through documentation and a cover letter dated December 10, 2010. *See Exhibit C, attached.*

Each of these actions revealed that the proper methods were being pursued and instituted within the group that we observed.

The FSSA Assistant Director of Finance also responded that FSSA employees are required to use the over-time log and submit them to their supervisor. In addition, the employee records the overtime in PeopleSoft Time and Labor using the time reporting code of OVT (Overtime) or CERND (Comp-time Earned) on the day that the overtime was worked. Once the employee submits his/her time, the supervisor validates against the overtime log prior to the approval of the electronic timesheet. The overtime logs are not required to be submitted to payroll, but are maintained by the supervisor.

Our observations found consistency with this protocol.

With our finding compliance as evidenced by the above documentation and authorities, this investigation is closed.

Dated this 17<sup>th</sup> day of December, 2010.



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David O. Thomas, Inspector General

## FSSA Payroll Audit

To: Kathee Troiani  
From: Patty Sutton  
Date: 4/7/09

### **AUDIT:**

FSSA Payroll  
Control #001857-00

### **PURPOSE:**

The purpose of the audit is to follow up on the results of the State Board of Accounts audit findings in the report dated 2/29/08 for payroll. The first was for missing payroll documentation to support positive adjustments and two payroll checks over \$5,000 and overtime reports that did not match overtime reported or paid for several employees.

### **SOURCE:**

Audit services performed ACL analysis of the Auditor of State payroll database for review of irregularities to determine sample. We also utilized the PeopleSoft staffing report and terminations. The review was for paychecks during the period of 1/08 to 2/09.

### **OBJECTIVE:**

To determine whether payroll transactions (excluding State Hospitals) were valid and have the proper supporting documentation.

### **SCOPE:**

For review, we have obtained, or will obtain, the following information:

- Chapter 9 of the State Board of Accounts Manual
- State Personnel leave policies
- A-4s, original documentation to support positive adjustments, overtime and other payroll distributions
- Current Staffing Report
- Terminations reported to date
- Approvals for extraordinary overtime
- Access to review PeopleSoft A-4s
- Interview payroll and human resource staff to understand process
- ACL extracts from Auditor of State payroll database for the period January 2008 through February 2009:
  1. Gross payroll over \$4,500
  2. All positive and negative adjustments
  3. Terminated employees who received paychecks
  4. Payroll for all state employees
  5. Active employees with no YTD earnings
  6. Employees receiving paychecks and not on staffing report (name changes?)



"People  
helping people  
help  
themselves"

Mitchell E. Daniels, Jr., Governor  
State of Indiana

**Indiana Family and Social Services Administration**  
402 W. WASHINGTON STREET, P.O. BOX 7083  
INDIANAPOLIS, IN 46207-7083

Anne Murphy, Secretary

September 17, 2009

Mr. Scott Blake  
FSSA Administrative Services, Director  
Indiana Family and Social Services Administration  
402 W. Washington Street, PO Box 7083  
Indianapolis, IN 46207-7083

Dear Mr. Blake:

We have completed our audit of the FSSA Central Administration's payroll operations on behalf of the Indiana Family and Social Services Administration (IFSSA).

The Audit Report Matrix provides detail regarding conditions noted, the relevant criteria, cause and effect, auditee Correction Action Plans, and Audit Service's responses to the action plans.

Correspondence regarding any issues, follow-up correspondence or feedback about the audit should be addressed to:

Indiana Family and Social Services Administration  
Attn: Kathee Troiani, Audit Manager  
402 W. Washington Street, Room E-341B  
P.O. Box 7083, MS06  
Indianapolis, IN 46207-7083

We appreciate the assistance and cooperation received during the course of the audit.

Sincerely,

Patricia Hendricks, CPA, CIA, CFE  
Senior Auditor

Cc: Anne Murphy, Secretary  
Terry Sheckell, Director Human Resources  
Megan Ornellas, Chief Financial Officer  
Michael Silberstein, Agency Controller

FSSA Central Administration  
Payroll for the Period 1/2008 to 2/2009

ITEM NO.	PROGRAM	CONDITION	CRITERIA	CAUSE	EFFECT	CORRECTIVE ACTION PLAN	AUDITOR RESPONSE
1	FSSA Central Administration Payroll	EXBB employees requested to be paid straight overtime, but State Personnel only approved compensation time for the additional time worked during the natural disasters in October 2008. However, FSSA Payroll paid straight overtime to six EXBB employees.	2008 Comp Request Approval, 00500-946, 10/22/08.	State Personnel approved non-monetary overtime compensation. FSSA Payroll personnel inadvertently paid straight overtime to the employees instead of accruing compensation time.	The six employees' gross payroll was overpaid in the amount of \$26,896.	See Attachment A & B.	The corrective action plan has been reviewed and will be monitored in the future.
2	FSSA Central Administration Payroll	One intermittent employee was not termed appropriately and received regular payroll checks for two pay periods. Human resources completed the Personnel/Payroll Action Form (PPAF) and the Auditor of State Form (AOS) was completed appropriately.	State Agencies Manual, Reissued 2007, Chapter 9, Payroll & Personnel Transactions, ATTENDANCE REPORT (A-4), states in part: ...Every employee must submit an attendance report for each pay period. The attendance report is to be completed accurately, and be signed and dated by the employee....Attendance reports should be submitted by each employee in a timely manner so that submission of payroll to the Auditor's Office is not delayed.	Payroll personnel continued to enter time into PeopleSoft (PS) after the termination date.	The employee's gross payroll was overpaid \$1,338.	See Attachment B.	The corrective action plan has been reviewed and will be monitored in the future.
3	FSSA Central Administration Payroll	An intermittent employee was terminated and the Supervisor did not report the termination for three weeks.	State of Indiana Employee Handbook, RESIGNATIONS, states in part: If you decide to leave state employment a minimum of two (2) weeks advance written notice must be given in order to leave in good standing.... You should route your letter of a resignation through your supervisor to the agency's human resources representative....	Human Resources was not notified of the employee's termination.	The employee could have been overpaid. However, no additional hours were entered for the employee.	See Attachment B.	The corrective action plan has been reviewed and will be monitored in the future.

FSSA Central Administration  
Payroll for the Period 1/2008 to 2/2009

ITEM NO.	PROGRAM	CONDITION	CRITERIA	CAUSE	EFFECT	CORRECTIVE ACTION PLAN	AUDITOR RESPONSE
4	FSSA Central Administration Payroll	An employee was paid 29.25 hours of vacation time and the employee was dismissed as "not for re-hire".	State Personnel, Vacation Leave Policy Statement, July 1, 2005, states in part: ...A dismissed employee shall forfeit all accrued but unused vacation leave.	Payroll personnel indicated they were instructed to pay the vacation to the individual.	The employee's gross payroll was overpaid in the amount of \$675.	See Attachment B.	The corrective action plan has been reviewed and will be monitored in the future.
5	FSSA Central Administration Payroll	Six employees submitted final A-4s at the time of termination with reported time worked of less than 75 hours. Leave without pay was not recorded. The AOS issued payroll checks for 75 regular hours worked.	State of Indiana Payroll Manual, Connie K. Nass, Auditor of State, 2000, page 5-8, states in part: ...If the terminated/deceased State employee is an "Autopay" employee with a Pay Code of five (5) or six (6), enter the lost hours not worked during their last payroll cycle. LOST HOURS only need to be entered when a terminated/deceased State employee did not work all or part of the payroll cycle in which they were terminated or deceased.	Payroll personnel did not enter the submitted the A-4s to the AOS.	The employees' gross payroll was overpaid in the amount of \$7,451 because the AOS system autopays 75 regular hours.	See Attachment B.	The corrective action plan has been reviewed and will be monitored in the future.
6	FSSA Central Administration Payroll	One employee submitted the final A-4 upon termination and the AOS issued the payroll check with an additional 15 hours of sick time and was not paid the personal or holiday time reported.	State Agencies Manual, Reissued 2007, Chapter 9, Payroll & Personnel Transactions, ATTENDANCE REPORT (A-4), states in part: ...After being completed by the employee, the attendance report should be reviewed, signed, and dated by the immediate supervisor of the employee, or by another designated individual who has knowledge of the employee's attendance. The review should be done prior to submission of payroll to the Auditor's office.	Payroll personnel incorrectly submitted the A-4 to the AOS.	The employee's gross payroll was incorrectly paid and the employee may have been underpaid. However, the amount is immaterial.	See Attachment B.	The corrective action plan has been reviewed and will be monitored in the future.
7	FSSA Central Administration Payroll	Four employees terminated in the middle of the pay period. Leave without pay was not entered into PS for the remainder of the pay period.	State of Indiana Payroll Manual, Connie K. Nass, Auditor of State, 2000, page 5-8, states in part: ...If the terminated/deceased State employee is an "Autopay" employee with a Pay Code of five (5) or six (6), enter the lost hours not worked during their last payroll cycle. LOST HOURS only need to be entered when a terminated/deceased State employee did not work all or part of the payroll cycle in which they were terminated or deceased.	Payroll personnel incorrectly submitted the A-4s to the AOS.	The employees' gross payroll was overpaid in the amount of \$9,556 because the AOS autopays 75 regular hours.	See Attachment B.	The corrective action plan has been reviewed and will be monitored in the future.

FSSA Central Administration  
Payroll for the Period 1/2008 to 2/2009

ITEM NO.	PROGRAM	CONDITION	CRITERIA	CAUSE	EFFECT	CORRECTIVE ACTION PLAN	AUDITOR RESPONSE
8	FSSA Central Administration Payroll	An employee received their vacation payout the pay period after termination and they were also paid for 75 regular worked hours.	State of Indiana Payroll Manual, Connie K. Nass, Auditor of State, 2000, page 5-8, states in part:  If all termination procedures are done correctly, the terminating State employee will receive payout of the accrued total of their vacation hour balance on their final payroll warrant.	The employee should have received their vacation payout on their final payroll check.	The employee's gross payroll was overpaid in the amount of \$1,987 because the AOS system autopays 75 regular hours.	See Attachment B.	The corrective action plan has been reviewed and will be monitored in the future.
9	FSSA Central Administration Payroll	An employee was terminated and was incorrectly paid 75 regular hours. A request was made to adjust the employees regular hours to 37.5 and another payroll check was issued and the correction was not made.	State of Indiana Payroll Manual, Connie K. Nass, Auditor of State, 2000, page 17-3, states in part:  ...To reverse a State payroll warrant, mail the warrant, along with a memo explaining the reason(s) for reversal, to the Auditor of State's Payroll Department...	The request for reversal may be processed one week after the check date and the original warrant did not appear to have been returned and the request for a manual check was processed.	The employee's gross payroll was overpaid in the amount of \$1,011.	See Attachment B.	The corrective action plan has been reviewed and will be monitored in the future.



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Mitchell E. Daniels, Jr., Governor  
State of Indiana

**Indiana Family and Social Services Administration**  
402 W. WASHINGTON STREET, P.O. BOX 7083  
INDIANAPOLIS, IN 46207-7083

Anne Waltermann Murphy, Secretary

July 10, 2009

Patricia Sutton, CPS, CIA, CFE  
Senior Auditor, FSSA Audit Services  
402 West Washington Street  
Indianapolis, IN 46202

Dear Ms. Sutton:

Enclosed you will find the response to the FSSSA Central Administration, Payroll Audit for the period of January 2008 to February 2009. The corrective actions have been identified by me and Terry Sheckell, Director of Human Resources.

Copies of any documents generated from the corrective actions will maintained in FSSA Payroll.

After reviewing, please contact me at your earliest convenience if you have additional questions or require any clarification.

Sincerely,

Scott Blake  
Director, FSSA Administrative Services

Cc: John Parks, Chief Financial Office  
Terry Sheckell, Director, Human Resources  
Audit File



Item	Condition	Cause	Corrective Action
1	Six (6) EXBB Employees were approved to receive compensation time for additional time worked during the natural disasters in October 2008. However, they were paid straight overtime.	State Personnel approved overtime non-monetary compensation. Payroll personnel incorrectly paid straight overtime to the employees instead of accruing compensation time.	<p>If federal funds were used for payments to employees they will be reimbursed by the Agency with state funds.</p> <p>In future disaster declarations, Compensation Requests to the State Personnel Department and the State Budget Agency must approve the request during the first pay period of the declaration.</p> <p>The FSSA Administrative Services Manager will work with Division Leadership to determine if a request is required for the situation.</p> <p>Facilitating the request with FSSA Human Resources, the process will be monitored to insure a timely approval/denial of the request.</p> <p>A notice to employees annually will reinforce the requirement for the submission of the SPD overtime / compensation time approval notification when recording hours on their timesheet.</p> <p>FSSA Payroll will validate overtime / comp time hours on a timesheet with the submitted overtime/comp time approval documentation. If there is a conflict the hours will be removed from the time sheet until the employee and/or manager provide the approval notification.</p>
2	One (1) intermittent employee was not termed appropriately and received regular payroll checks for two (2) pay periods. Human Resources completed the Personnel/Payroll Action Form (PPAF) and the Auditor of State form (AOS) was completed appropriately. [August 2008]	Payroll personnel continued to enter time into PeopleSoft (PS) after the termination date.	<p>A certified letter will be sent to the employee to start repayment.</p> <p>A leadership and staff change has occurred in FSSA Payroll. The Payroll Manager is required to review the Accounting and Uniform Compliance Guidelines, the requirements for the Payroll personnel on a semiannual basis.</p> <p>A formalized procedure regarding employment terminations between FSSA Human Resources and FSSA Payroll was developed and is in place to rectify this condition.</p>
3	An intermittent employee was terminated and the Supervisor did not report the termination for three weeks.	Human Resources was not notified of the employee's termination.	Managers/supervisors responsible for intermittent staff were found not to be taking proper action when the intermittent employees failed to report to work. In this case, an employee failed to report to work one day and never returned. Managers/supervisors responsible for that program area were instructed in the proper procedures to use when intermittent employees fail to report to work.

4	An employee was paid 29.25 hours of vacation time and the employee was dismissed as "not for re-hire".	Payroll personnel indicated they were instructed to pay the vacation to the individual.	<p>A certified letter will be sent to the employee to start repayment.</p> <p>A Payroll employee incorrectly coded the AOS AP-63 form with contradictory information, in one spot it indicated do not pay vacation and in the other spot indicated to pay vacation. This employee has been counseled and will have their work randomly reviewed for correctness of work.</p>
5	Six (6) employees submitted final A-4s at the time of termination with reported time worked of less than 75 hours. Leave without pay was not recorded. The AOS issued payroll checks for 75 regular hours worked.	Payroll personnel did not enter the submitted A4s to the AOS.	<p>Certified letters will be sent to the employee to start repayment.</p> <p>New procedure now in place:</p> <ul style="list-style-type: none"> <li>- HR sends an e-mail with names and date of the last day worked</li> <li>- Payroll contacts employee to complete timesheet</li> <li>- Payroll enters vacant days with LWOP</li> <li>- Manager approves timesheet</li> <li>- Payroll process timesheet (Payable time)</li> <li>- Payroll notifies HR when process is complete to change employee status</li> </ul>
6	One (1) employee submitted the final A-4 upon termination and the AOS issued the payroll check with an additional 15 hours of sick time and was not paid the personal or holiday time reported.	Payroll personnel incorrectly submitted the A4 to the AOS.	<p>This was an intermittent employee</p> <p>In validating the submission to the AOS, FSSA Payroll identified that this employee was not paid the hours recorded on their timesheet, 41.25 hours. They were only paid 30 hours of sick time and no regular.</p> <p>A Payroll employee incorrectly coded the AOS data. This employee has been counseled and will have their work randomly reviewed for correctness of work.</p>
7	Four (4) employees terminated in the middle of the pay period. Leave without pay was not entered into PeopleSoft for the remainder of the pay period.	Payroll personnel incorrectly submitted the A4 to the AOS.	<p>Certified letters will be sent to the employee to start repayment.</p> <p>New procedure now in place:</p> <ul style="list-style-type: none"> <li>- HR sends an e-mail with names and date of the last day worked</li> <li>- Payroll contacts employee to complete timesheet</li> <li>- Payroll enters vacant days with LWOP</li> <li>- Manager approves timesheet</li> <li>- Payroll process timesheet (Payable time)</li> <li>- Payroll notifies HR when process is complete to change employee status</li> </ul>

8	One (1) employee received their vacation payout the pay period after termination and they were also paid for 75 regular worked hours.	The employee should have received their vacation payout on their final payroll check.	A certified letter will be sent to the employee to start repayment.  New procedure now in place: <ul style="list-style-type: none"><li>- HR sends an e-mail with names and date of the last day worked</li><li>- Payroll contacts employee to complete timesheet</li><li>- Payroll enters vacant days with LWOP</li><li>- Manager approves timesheet</li><li>- Payroll process timesheet (Payable time)</li><li>- Payroll notifies HR when process is complete to change employee status</li></ul>
9	An employee as terminated and was incorrectly paid 75 regular hours. A request was made to adjust the employee's regular hours to 37.5 and another payroll check was issued and the correction was not made.	The request for reversal may was processed one week after the check date and the original warrant did not appear to have been returned and the request for a manual check was processed.	No monies are owed by employee or FSSA.  A Request for Reversal was submitted on 12/30/2008 for the 75 hours. A new check for 37.5 hours was recorded on 1/7/09. The 37.5 hour check was manually created the next day from the request however, the AOS records checks created manually for the next pay date regardless of when they were completed.



MEMORANDUM

To: Krishna Heyward

From: Diana Emberson

Date: August 19, 2009

RE: JE0001946333

TYPE OF ENTRY:

Correction     Recording     Change     Cost Allocation

PURPOSE OF DOCUMENT:

This JE is being submitted to post payroll audits per Federal Funding (Pay Periods Ending 10/04/08, 10/18/08 and 11/01/08.

DESCRIPTION OF ATTACHMENTS:

This JE contains the following attachments as supplementary support for the transaction:

- Copy of e-mail from Caran Keller telling me how to process this transaction.
- Copy of spreadsheet from Federal funding with the total amount of overtime.

Accounting Manager: \_\_\_\_\_

Attachment B



Mitchell E. Daniels, Jr., Governor  
State of Indiana

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**Indiana Family and Social Services Administration**

402 W. WASHINGTON STREET, P.O. BOX 7083  
INDIANAPOLIS, IN 46207-7083

Anne Waltermann Murphy, Secretary

December 6, 2010

Mr. Scott Blake, Director  
Administrative Services  
Indiana Family and Social Services Administration  
402 W. Washington St., Rm W461  
Indianapolis, IN 46204

Family and Social Services Administration – Payroll Letter

Dear Mr. Blake:

**Introduction**

IFSSA Audit Services has completed its audit of payroll costs paid by the Family and Social Services Administration (FSSA).

**Scope of Audit**

The following areas were reviewed for FSSA employees (excluding employees at the state hospitals):

- Supervisory approvals of A-4 attendance reports
- Follow-up prior audit findings contained in our report dated September 17, 2009 regarding unapproved overtime compensation, inaccurate compensation for leave upon termination, inaccurate reporting of employee leave, and multiple payroll warrants issued to the same employee for the same pay period
- Larger payments to terminating employees

**Audit Conclusion**

There were no findings noted as a result of the review.

If you have any questions, do not hesitate to contact me at (317) 232-1237.

Sincerely,

Robert Millikan  
Field Auditor

cc: Roger A. Booth, Chief Audit Executive  
Richard Irwin, Employee Payments Manager  
Audit File