

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of County Commissioners and
Department Heads
Ramsey County

BACKGROUND

In October 1996, a newspaper article reported that the now former Director of the Department of Property Records and Revenue, Lou McKenna, reported hours as worked or sick leave taken on days when he was in other locations not performing duties of the County. In addition, the article alleged that according to County records, Mr. McKenna failed to reimburse the County for numerous personal long-distance telephone calls.

In November 1996, the Ramsey County Manager requested that the Office of the State Auditor (OSA) review and test the payroll reporting practices for specified department heads. In addition, the OSA was asked to review and test the procedures used to reimburse the County for personal long distance and cellular telephone calls.

The purpose of the review was to determine whether the abuses as reported by the newspaper were isolated incidents and not common practices in other departments of Ramsey County. During the engagement, Ramsey County requested the OSA expand its procedures to test the payroll procedures used by the employees of the Department of Property Records and Revenue.

ACCOUNTANT'S REPORT

We have performed the procedures which were agreed to by the Ramsey County Board and the County Manager solely to assist the County in evaluating the following assertions made by Ramsey County management:

- Payroll and leave records of the County Manager and department heads from January 1, 1995, through October 31, 1996, accurately reported hours worked and leave taken.
- Personal long distance and cellular telephone expenses of the County Manager and the department heads from January 1, 1995, through October 31, 1996, have been reimbursed to the County.
- Procedures in place in each department ensure that payroll is accurately reported and personal long distance and cellular telephone expenses have been reimbursed to the County.

The engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures agreed to is solely the responsibility of Ramsey County. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report includes all findings detected as a result of the procedures and any other matters that came to our attention while performing the procedures.

I. AGREED-UPON PROCEDURE #1

Review selected payroll and leave records of the County Manager and the County's 15 appointed department heads for evidence that the hours worked and vacation and sick leave hours taken were accurately reported during the period from January 1, 1995, through October 31, 1996. ¹

A. Procedures Performed

- We interviewed the County Manager and 15 department heads regarding the procedures used for reporting time worked and leave taken. We then

¹ See Attachment 1.

documented the various methods used by the County Manager and department heads in reporting their time worked and leave taken.

- We randomly selected five of the 48 pay periods included in the time period reviewed for the County Manager and the 15 department heads. The sample size of 10 percent was agreed-upon based on the assessed level of risk and materiality that was determined during the County's 1995 annual audit.
- We reviewed the supporting documentation that the County Manager and department heads had on file for the five pay periods tested to determine if it agreed with recorded amounts.

B. Policies and Procedures

The County has not adopted a written policy and procedure for reporting hours worked and leave taken. Currently, the recommended practice for reporting leave hours taken is outlined in a memo dated November 5, 1982, from the then Acting Executive Director. The memo requires that a Request for Leave slip be used when an employee takes vacation or sick leave. The memo also requires that "a properly signed authorization is required for all paid leave time."

The current practice for reporting hours worked and leave taken by the County Manager and the 15 department heads includes both the exception and positive methods of time reporting. Under the exception method an employee is considered to have worked 80 hours of regular time unless a Request for Leave slip is completed for leave taken. The positive method requires an employee to report time worked as well as leave taken. Although other forms exist, the Ramsey County Biweekly Time Report is the most common form used to report time under the positive method.

Procedures used by the County prior to October 9, 1996, did not require leave taken by department heads to be approved by the County Manager. As of October 9, 1996, all leave taken by department heads is required to be approved by the County Manager.

C. Findings

The County Manager and department heads accurately reported hours worked and leave taken for the pay periods reviewed, except as noted below (see "Differences in Time and Leave Records" on page 5). Had we performed additional procedures, other matters might have come to our attention that would have then been reported.

Mike O'Donnell, Former Acting Director - Department of Property Records and Revenue

The method of reporting leave taken and payroll processing for Mike O'Donnell, former Acting Director include: 1) Time/Work/Daily Reports; 2) Annual Time Records; and 3) County's Payroll System. The following sections identify the method used by Mr. O'Donnell to report leave taken and how it was recorded by the Department's payroll clerk and entered into the County's payroll system.

Time/Work/Daily Reports

Prior to becoming the Acting Director of the Department of Property Records and Revenue, Mr. O'Donnell reported his time worked and vacation and sick leave taken by completing a departmental payroll form called the "Department of Property Taxation and Records Administration Time/Work/Daily Report." He completed this report weekly.

The Time/Work/Daily Reports were a detailed accounting of the hours spent during each day. They included codes and hours indicating categories where time was spent, in addition to codes for vacation and sick leave taken during the week. Mr. O'Donnell signed and dated these reports and provided a copy of the report to the payroll clerk of the Department of Property Records and Revenue for processing. The original was retained by Mr. O'Donnell.

The payroll clerk stated that Mr. O'Donnell was the only employee in the department who used this method of reporting time. According to the payroll clerk, the Time/Work/Daily Report had been used in previous years by certain employees as an internal time-tracking document but that its use was discontinued at least four years ago due to the substantial amount of staff time it took to complete. Mr. O'Donnell continued to use the Time/Work/Daily Report to report time worked and leave taken until October 11, 1996, when he became the Acting Director of the Department of Property Records and Revenue. At that time, he began documenting his leave taken on the Request for Leave slips.

Annual Time Records - Payroll Clerk's Procedures

The Annual Time Records are an accounting of the leave taken by employees of the Department of Property Records and Revenue for the entire year. Prior to October

11, 1996, the payroll clerk would receive a copy of Mr. O'Donnell's Time/Work/Daily Report and manually record leave taken on the Annual Time Records. After October 11, 1996, the payroll clerk used Request for Leave slips completed by Mr. O'Donnell to record leave taken.

On the Annual Time Records, the payroll clerk would write the number of hours to be reported as vacation, sick, or floating holiday by using a different colored pen. These colors would indicate the type of leave taken. In some instances, the payroll clerk would report in a pay period vacation or sick leave that had been taken in a prior pay period. These hours were marked with an "X" or "*" on the day it should have been recorded to indicate that the leave hours taken would be reported in the subsequent pay period. The payroll clerk stated that this would be necessary when she did not receive the Time/Work/Daily Reports before payroll was processed.

Every two weeks, the payroll clerk used the Annual Time Records to enter leave taken on a FoxPro payroll time entry system (FoxPro system) for Mr. O'Donnell and the other employees of the Department of Property Records and Revenue. This program assumes that an employee has worked 80 hours of regular time unless it is reported differently, such as sick leave taken. The FoxPro system produces a report, by division, which is the Ramsey County Departmental Timesheet. The report summarizes regular and leave hours for each employee.

The payroll clerk stated that she did not perform an edit function, reconciling leave hours recorded on the Annual Time Records to the leave hours as summarized on the report produced by the FoxPro system. The FoxPro report is signed by the payroll clerk and another authorized department employee, usually from the Administration Division. A copy of the report is submitted to the County's Budget and Accounting Department.

County's Payroll System

Based on the information received from the FoxPro system, the County's payroll system generates the employees' payroll checks and check stubs. The check stubs provide the following information: (1) leave balances at the start of the pay period; (2) leave time earned in the current pay period; (3) leave hours used within the pay period; (4) leave balances at the end of the pay period; and (5) total leave hours used in the current year. This information allows the employee to verify that the leave hours they have reported have been accurately recorded on the County's payroll system.

DIFFERENCES IN TIME AND LEAVE RECORDS

Our testing of Mr. O'Donnell's time reporting found discrepancies in the amount of leave hours used between:

1. Mr. O'Donnell's Time/Work/Daily Reports;
2. The payroll clerk's Annual Time Records and;
3. The County's Payroll System.

From our original sample, we found that in all five of the pay periods tested, Mr. O'Donnell's Time/Work/Daily Reports reported vacation or sick leave that did not coincide with what was actually recorded on the County's payroll system. Due to these discrepancies, we expanded our sample and examined five additional pay periods.

We discovered that for four of the five additional pay periods tested the hours reported by Mr. O'Donnell on his Time/Work/Daily Report differed from that recorded by the payroll clerk on the Annual Time Records. We also noted that for four of the five pay periods tested in this additional sample, hours reported as leave time taken on the Annual Time Records did not coincide with the hours recorded on the County's payroll system. We were unable to reconcile three of the differences from this additional sample to a subsequent pay period.

Due to the inconsistencies discovered in our testing of these ten pay periods, we again expanded our review of Mr. O'Donnell's Time/Work/Daily Reports to examine the reports kept for 1994, 1995, and 1996. These reports were compared to the payroll clerk's Annual Time Records and the County's payroll system and we noted the following discrepancies:

Comparison of Different Records for Vacation Hours Used

<u>Year</u>	<u>Mike O'Donnell's Time/Work/Daily Reports</u>	<u>Payroll Clerk's Annual Time Records</u>	<u>County's Payroll System</u>
1994	262.75	105.00	137.00
1995	275.25	122.75	156.75
1996	<u>242.75</u>	<u>213.75</u>	<u>190.00</u>
Total	<u><u>780.75</u></u>	<u><u>441.50</u></u>	<u><u>483.75</u></u>

As noted in the above comparison, Mr. O'Donnell's Time/Work/Daily Reports document 780.75 hours of vacation time used. This represents 339.25 hours more than what was recorded on the Annual Time Records, and 297 hours more than what

was recorded on the County's payroll system. Our examination also revealed differences in the sick leave and floating holidays recorded over the same three-year period ranging from 3 hours to 32 hours.

As of the pay period ending November 29, 1996, the last pay period for which Mr. O'Donnell was employed by Ramsey County, the County's payroll system reported 250.86 hours of accrued vacation. However, due to the differences discovered in our testing, we recalculated Mr. O'Donnell's vacation balance using his Time/Work/Daily Reports and his vacation accrual rate of 6.1538 hours per pay period. The following is the recalculation of Mr. O'Donnell's vacation balance as of November 29, 1996:

Recalculation of Vacation Hours Balance

Balance - December 18, 1993, County's Payroll System	320.0000
Add: Time Earned at Accrual Rate	470.0736
Deduct: Time Used Per Time/Work/Daily Reports	<u>(780.7500)</u>
Balance - November 29, 1996	<u><u>9.3236</u></u>

Mr. O'Donnell's beginning vacation balance as of December 18, 1993, was 320 hours.² From December 18, 1993, to November 29, 1996, Mr. O'Donnell earned an additional 470.0736 hours of vacation time.³ During this same period of time, from December 18, 1993 to November 29, 1996, Mr. O'Donnell used 780.75 hours of vacation time, leaving a vacation leave balance of 9.3236 hours on his last day of employment with Ramsey County.⁴ According to the County's payroll system balance of 250.86 hours of accrued vacation leave, the County would have been required to pay Mr. O'Donnell \$9,104.76. Based on OSA's recalculation, Mr. O'Donnell is owed a total of \$338.39 for his actual remaining 9.3236 hours of vacation.

² We are not able to determine if this is an accurate beginning balance without going back to prior periods. This is not practicable because the pre-December 18, 1993, Time/Work/Daily Reports are not available for review.

³ The vacation accrual of 470.0736 hours was calculated by using Mr. O'Donnell's accrual rate of 6.1538 hours for all pay periods. Based on this calculation, Mr. O'Donnell accrued all available vacation leave hours from December 18, 1993, to November 29, 1996, with the exception of 3.769 hours.

⁴ The vacation time used, 780.75 hours, was calculated from the Time/Work/Daily Reports and Request for Leave slips prepared by Mr. O'Donnell. Mr. O'Donnell last day of employment with Ramsey County was November 27, 1996.

As set forth above, Mr. O'Donnell's Time/Work/Daily reports showed he used 780.75 hours of vacation, while the payroll clerk's Annual Time Records showed he used 441.50 and the County's payroll system showed he used 483.75 hours of vacation. From what we are able to determine, the difference between these three records can be partially attributed to the following factors:

- For periods of up to four months, the payroll clerk's Annual Time Records failed to show any vacation leave taken for Mr. O'Donnell. However, Mr. O'Donnell's personally prepared Time/Work/Daily Reports for the same time periods showed that in fact, vacation time was used. Therefore, it appears vacation time used was not posted to the department's Annual Time Records or the County's payroll system in a timely manner.
- The payroll clerk stated that there may have been times when information as to leave taken was orally communicated but not written down on the Annual Time Records.
- The OSA discovered that there was a lack of sufficient documentation for some entries into the County's payroll system. For example, the County's payroll system showed a 56-hour downward adjustment made to Mr. O'Donnell's vacation balance in July 1996. The OSA found insufficient documentation to indicate how the 56 hours were determined. However, the payroll clerk explained that the majority of the adjustment was related to time spent by Mr. O'Donnell while working on a project for the Ancient Order of Hibernians in 1996. The payroll clerk stated that Mr. O'Donnell orally instructed her to make the adjustment. The payroll clerk prepared an adjustment form which stated, "Employee used vacation time. Need to deduct from balance." No one other than the payroll clerk signed the adjustment.

If the procedures, as explained to us by Mr. O'Donnell, and confirmed by the payroll clerk, were being followed, the most reliable source of payroll records would be the Time/Work/Daily Reports completed and signed by Mr. O'Donnell. Therefore, in order to make a payment to Mr. O'Donnell for unused vacation, we recommend that the County make the appropriate adjustments to the ending vacation leave balance on the payroll system and pay Mr. O'Donnell accordingly.

II. AGREED-UPON PROCEDURE #2

Review selected telephone records of the County Manager and the department heads

from January 1, 1995, through October 31, 1996, to reconcile expenses incurred for personal long distance and cellular telephone calls with reimbursements made to the County.⁵

A. Procedures Performed

To obtain evidence that expenses incurred for personal long distance and cellular telephone calls are reconciled to reimbursements made to the County, we performed the following steps:

- We interviewed the County Manager and department heads regarding the procedures used for reporting personal telephone calls. We then documented the various methods used by the County Manager and department heads in reporting personal telephone calls.
- We selected two of the 20 monthly telephone bills for the period specified for testing. The sample size of 10 percent was agreed-upon based on the assessed level of risk and materiality that was determined during the County's 1995 annual audit.
- We examined the actual telephone bills and accompanying documentation identifying whether the calls were for business or personal purposes.
- We inquired as to whether any reimbursements had been made for the personal calls. We reviewed the documentation, if any, that was available supporting the reimbursement for personal phone calls.

B. County Policy

The County adopted a formal written long-distance and cellular telephone policy on September of 1993 (revised March of 1995). This policy requires:

". . . that all long-distance telephone calls, including fax calls, should be identified as either business or personal. Personal long-distance calls should be charged to the employee's home phone or personal credit card. If a personal long distance call is charged to the County, the employee responsible for the call must submit a personal check to pay for that charge."

It further states:

⁵ See Attachment 1.

". . . all cellular phone calls should be identified as either business or personal. If a personal cellular phone call is charged to the County, the employee responsible for the call must submit a personal check to pay for the charge."

C. Findings

For telephone bills reviewed, we did not find any instances where we were unable to reconcile expenses incurred for personal long distance and cellular telephone calls with reimbursements made to the County, except as noted below. Had we performed additional procedures, other matters might have come to our attention that would have then been reported.

1. County Attorney - Susan Gaertner

The County Attorney has access to two phone lines within her office. The County Attorney stated that one of the phone lines is used only for business calls, while the other phone line is used to make local business calls and long distance personal calls. The County Attorney stated that this is the method she used to

account for all business and personal long distance calls. During our interview, the County Attorney stated she reimbursed the County each month for personal long distance calls.

When the County Attorney's staff began gathering information for our testing purposes, they discovered that, except for April 1995, personal long distance calls made by the County Attorney had not been reimbursed to the County. Personal long distance charges for which no evidence of reimbursement existed on this phone line amounted to \$48.16 for the period January 1995 through November 1996. The County Attorney subsequently reimbursed the County \$48.16 on December 31, 1996.

We recommend that the County Attorney comply with the County's long distance phone policy by discontinuing the use of a separate phone line to make personal long distance phone calls. This policy states, "Personal long distance calls should be charged to the employee's home phone or personal credit card."

2. County Sheriff - Bob Fletcher

The County Sheriff stated that personal phone calls made on his County-issued cellular car phone were not reviewed or reimbursed prior to October 1996. Also, the Sheriff stated that he made business-related phone calls from his personal

cellular phone and did not request reimbursement. The County Sheriff's belief was that these charges would balance out or result in the County owing him for charges incurred if he had submitted a claim for reimbursement as allowed by the County's cellular telephone policy. We are unable to verify this without formally reviewing all calls made on both the personal and County-issued cellular phones. Since all calls have not been identified, this procedure is not practical.

Also, the County Sheriff stated that most personal calls made on the County's cellular phone were the result of work-related matters, such as having to work late. While we recognize the unique circumstance of the County Sheriff and the need to be in a patrol car while on duty, failure to review cellular phone bills for personal calls and failure to reimburse the County for amounts identified as personal, results in noncompliance with the County's cellular telephone policy.

We reviewed the November 1996 cellular phone billing statement of calls made in September and October and it appears that personal calls were identified and the appropriate reimbursement made to the County.

We recommend that the County Sheriff review all previous billing statements from his personal cellular phone and the County-issued cellular phone to determine if reimbursement is due to the County Sheriff or the County for business and personal calls identified.

III. AGREED-UPON PROCEDURE #3

Review the procedures in place in each department to obtain evidence that payroll is accurately reported and personal long distance calls are reimbursed to the County.

A. Procedures Performed

- We interviewed the County Manager and each of the department heads regarding the procedures used in their departments for reporting time and reimbursing the County for personal telephone calls. We also documented the various methods that the departments utilized in reporting their time worked and leave taken and reimbursing the County for personal telephone calls.
- We agreed to expand our procedures to review payroll records of the employees within the Department of Property Records and Revenue. This included four employees in the Administration Division, three of the eight Division managers, and five of the 151 department employees.

- We randomly sampled five of the 48 pay periods included in the time period reviewed for the employees selected in the Department of Property Records and Revenue. The sample size of 10 percent was agreed-upon based on the assessed level of risk and materiality that was determined during the County's 1995 annual audit.
- We reviewed selected payroll and leave records of the selected employees in the Department of Property Records and Revenue for evidence that the hours worked and vacation and sick leave hours taken were accurately reported during the period from January 1, 1995, through October 31, 1996.

B. County Policies and Procedures

The County's policies and procedures for time reporting is included with Procedure #1 (page 3) and the policies and procedures for long distance and cellular phone calls is included in Procedure #2 (page 9).

C. Findings

Procedures in place in each department appear to ensure that employees have accurately reported time worked and leave taken and properly reimbursed the County for any personal long distance calls made for the time period reviewed, except as noted below (see "Detailed Findings" on page 13). Had we performed additional procedures, other matters might have come to our attention that would have then been reported.

1. Department of Property Records and Revenue - Payroll Procedures

A. Payroll Processing Procedures

As part of our expanded procedures, we documented the various methods used by employees within the Department of Property Records and Revenue to report leave taken. These methods included both Oral Communication and Request for Leave slips which are explained below.

Oral Communication - Administration Division Employees

In addition to Mr. O'Donnell, the Administration Division of the Department of Property Records and Revenue had three staff employees, and a Director. The Director, Mr. McKenna, resigned in October of 1996.

With the exception of Mr. O'Donnell who completed Time/Work/Daily

Reports, the Administration Division employees orally reported vacation and sick leave taken to the department's payroll clerk. The payroll clerk, who is also in the Administration Division, stated that Administration Division employees' time reporting was based on a system of trust.

Request for Leave Slips - Division Managers

Managers of the Department of Property Records and Revenue used the exception method of reporting leave taken. A manager taking leave would complete and sign a Request for Leave slip and submit it to the payroll clerk. The Request for Leave slip provides a space for a manager's supervisor to sign and specifically states that "All signatures must be on the form." However, the managers of the Department of Property Records and Revenue did not have Mr. McKenna, their former supervisor, sign the form. Managers within the Department of Property Records and Revenue stated they did not believe they were required to obtain the signature of Mr. McKenna. The payroll clerk stated that she did not look for a "supervisor's signature" on these Request for Leave slips when accepting them for processing payroll because she did not believe that this was required by the former Director, Mr. McKenna.

Except for one of the co-managers in the Local Government Policy and Research Division, all managers of the Department of Property Records and Revenue completed a Request for Leave slip for vacation or sick leave taken. This individual was not required by Mr. McKenna to submit Request for Leave slips. Instead, he reported leave taken through oral communication to the payroll clerk.

Request for Leave Slips - Departmental Employees

All other employees in the Department of Property Records and Revenue used the exception method for reporting leave taken. They would complete the Request for Leave slip and have it approved by their supervisor. Upon supervisory approval, the Request for Leave slips would be submitted to the payroll clerk for payroll processing. The payroll clerk would review the Request for Leave slips to verify that the employee's supervisor had approved the time taken before it was entered on the Annual Time Records.

B. Detailed Findings

We noted the following findings during our testing of payroll records of the employees of the Department of Property Records and Revenue.

Missing Request for Leave Slips and Approvals

- During the period reviewed all four of the Administration Division employees and one of the three division managers tested did not complete Request for Leave slips. The payroll clerk indicated that Mr. McKenna, former Director, did not require these individuals to complete Request for Leave slips. Vacation and sick leave taken was based on oral communication to the payroll clerk.
- Request for Leave slips completed by division managers were not approved by the former Director of the Department of Property Records and Revenue.
- Request for Leave slips completed by one of the five department employees sampled were not approved by the employee's supervisor. In addition, a Request for Leave slip was not completed for eight hours of vacation taken by this employee.

We recommend that all employees complete Request for Leave slips, and obtain a supervisor's approval, for all leave taken.

Differences Between Annual Time Records, Request for Leave Slips, and County's Payroll System

- We noted several instances in the testing of the Administration Division, division managers, and department employees where hours recorded as sick or vacation hours on the Annual Time Records did not coincide with time entered on the County's payroll system. We were not able to reconcile six of the differences. In all of these cases, the number of vacation or sick hours recorded as used on the Annual Time Records was higher than what was entered on the County's payroll system.
- We attempted to reconcile leave taken by the former Director, Mr. McKenna, for 1995. We compared what was recorded on the Annual Time Record to what was entered on the County's payroll system. The County's payroll system reported 16 more vacation hours used than was recorded on the Annual Time Record.
- Time reported on a Request for Leave slip for one division manager was five hours, but the Annual Time Record and the County's payroll system recorded eight hours.

We recommend that the County review prior pay periods and compare the amount of leave recorded as used on the Annual Time Records and Request for Leave slips to what is recorded on the County's payroll system. If differences exist, adjustments should be made to the leave balances on the County's payroll system.

Record Retention

- The payroll clerk had difficulty locating the original Annual Time Record for a co-manager in the Local Government Policy and Research Division. It was subsequently discovered that the manager had the original at home and it was made available to us a few days later.
- The original 1996 Annual Time Record for the former Director, Mr. McKenna, was not initially located upon our request. The payroll clerk provided the original to us 16 days after our first request.

We recommend that the Department of Property Records and Revenue retain all records as required by Minn. Stat. § 13.03, subd. 1. This statute requires that all records be maintained in such an arrangement as to make them easily accessible for convenient use. If records are to be taken out of the Department, we recommend that a form be developed and used that will account for their issuance and assign responsibility for their return. We also recommend that the County Manager establish written procedures relating to this issue in order to make this a uniform County policy.

Overall Recommendations

In order to improve the recording of time worked and leave taken we recommend that the Department of Property Records and Revenue:

- Discontinue using the Annual Time Records.
- Require all employees to complete the Ramsey County Biweekly Time Reports and Request for Leave slips for each payroll period.
- Require supervisors to verify and approve that leave taken and time worked is accurately reported on the Biweekly Time Reports and Request for Leave slips.
- Submit the Biweekly Time Reports and Request for Leave slips to the payroll

clerk at the end of each payroll period.

- Require the payroll clerk to sign the Biweekly Time Report, indicating that the hours entered on the payroll program agree with the Biweekly Time Report.

The current Acting Director of the Department of Property Records and Revenue stated that, as of October 9, 1996, all employees in the department began completing Request for Leave slips. She also stated that, as of January 25, 1997, all employees in the department began completing the Ramsey County Biweekly Time Reports.

2. Public Works - Payroll Procedures

A. Administrative Employees

The Director of the Public Works Department stated that administrative employees, including the Director, were not completing or signing their own time sheets. The time sheets were completed by the Public Works payroll clerk based on information entered on a centralized calendar by both the payroll clerk and other administrative employees. In order to increase the accuracy and reliability of time reported, employees should complete and sign their own time sheets.

The Director of the Public Works Department stated that as of October 21, 1996, all administrative employees began signing their own time sheets and as of December 30, 1996, they began completing their own time sheets.

B. Supervisors

The Director of the Public Works Department stated that time sheets prepared by supervisors were not approved. Good payroll controls require a manager's approval to verify time reported as accurate.

The Director of the Public Works Department stated that as of October 21, 1996, this procedure has changed and time sheets are now approved.

3. Community Corrections - Payroll Procedures

Based on discussions with the Director of the Community Corrections Department, the Juvenile Detention Center's former superintendent was completing employees' time sheets prior to being signed by the employees. In

order to increase the accuracy and reliability of time reported, employees should complete their own time sheets.

The Director of the Community Corrections Department stated that as of July 1, 1996, employees are now completing their own time sheets.

4. County Sheriff's Department - Phone Procedures

We recommend that the County Manager and the County Sheriff's Department assess the need to make personal calls from cellular car phones. We recognize the unique situation of the County Sheriff and the officers who are patrolling in the field. In essence, their car becomes their office and situations may arise when it becomes necessary to make a personal call due to work-related circumstances. However, without a formal policy or contract agreement allowing for the personal calls to be made and charged to the County, these calls will need to be identified and reimbursed to the County.

Establishing a reasonable and fair policy and convenient procedures addressing this issue would assist the County Sheriff's Department in reducing the administrative time required to identify these calls and address the unique situation in this department.

5. All Departments - Telephone Procedures

Although procedures varied, most departments did not identify all long distance or cellular phone calls as either business or personal. In most cases, departments assumed calls were business unless otherwise indicated. Also, some departments had supervisors, managers, or an accounts payable employee review the bills and relied upon the self-reporting of employees to identify personal calls made.

The practice of identifying only personal calls does not comply with Ramsey County's long distance policy. The County policy states that "all long distance calls, including fax calls, should be identified as either business or personal." The failure to identify all long distance and cellular phone calls as business or personal creates the risk that personal calls will be paid for by the County. Also, the review of long distance calls made is more reliable if performed by the employee making the long distance or cellular phone calls.

We recommend that employees of the County adhere to its long distance and

cellular phone call policies. As indicated in the County's policy, employees should be encouraged to charge all calls to the employee's home phone or personal credit card. Also, employees making long distance calls should be required to confirm that all calls were either personal or business related. The County should consider including a declaration on each telephone billing statement certifying that all calls, unless otherwise indicated, were made for business purposes.

IV. OVERALL RECOMMENDATION

Payroll Procedures - All Departments

We recommend that the County adopt a written policy regarding time reporting for all non-elected County employees. The policy should include the method to be used for reporting time worked and leave taken for all County employees and department heads. We strongly recommend that Ramsey County implement a positive time reporting system for all employees and the use of Request for Leave slips to document leave time taken.

* * * * *

We were engaged to perform certain agreed-upon procedures and report our findings resulting from those procedures. We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the accuracy of hours reported as worked and vacation and sick leave taken, and the reimbursement of personal long distance and cellular telephone calls for the period January 1, 1995, through October 31, 1996. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that we would have reported to you.

This report is intended solely for the use of Ramsey County and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

JUDITH H. DUTCHER
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

January 3, 1997

Attachment 1

PAYROLL AND TELEPHONE PROCEDURES

1. Greg Mack, Director - Parks & Recreation
2. Joan Fabian, Director - Community Corrections
3. Julio Mangine, Acting Director - Property Management
4. Rob Fulton, Director - Public Health
5. Connie Peikert, Director - Job Training Program
6. Tom Fashingbauer, Director - Community Human Services
7. Steve Lindstrom, Director - Veterans Service Office
8. Paul Kirkwold, Director - Public Works
9. Richard Brainerd, Director - Personnel
10. James Van Houdt, Director - Budget & Accounting
11. Kenneth Jones, Co-Director - Affirmative Action
12. Lynn Geschwind, Co-Director - Affirmative Action
13. James Kavaloski, Director - Information Services
14. Michele Timmons, Director - Risk Management
15. Mike O'Donnell, Acting Director - Property, Records & Revenue (Dismissed November 27, 1996)
16. Terry Schutten, County Manager

TELEPHONE PROCEDURES ONLY

1. Susan Gaertner, County Attorney
2. Robert Fletcher, County Sheriff
3. Sue Alliegro, Judicial District Administrator



Office of the County Manager

Terry Schutten, County Manager

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February 19, 1997

Ramsey County Board of Commissioners
220 Court House
15 West Kellogg Boulevard
Saint Paul, MN 55102

Dear Commissioners:

At my request, the State Auditor performed a special audit of the County's payroll records for department heads and long-distance phone policies and procedures for department heads and certain elected officials. We are encouraged by the results of this special audit. We thank the State Auditor for sharing a draft copy of the report with us on February 7, 1997, so we could prepare a response before its release.

We are pleased to see from the results of the testing that, except for the former Director and former Acting Director of the Department of Property Records and Revenue, all County department heads are following proper payroll time reporting procedures.

The Department of Property Records and Revenue has implemented a number of the recommendations made by the State Auditor. The Department required that all employees use the County's Request for Leave slip, effective October 9, 1996, and require that all employees use the Ramsey County Biweekly Time Report for all pay periods beginning on and after January 25, 1997. (See Department of Property Records and Revenue response.)

Further, payroll procedures in the Public Works and Community Corrections departments were mentioned but were satisfactorily resolved before the completion of the audit.

In addition, for all long-distance phone bills tested, and except for those noted, all personal long-distance phone calls were either reimbursed to the County or charged to the employee's credit card or home phone. It should also be noted that the State Auditor's testing of long-distance telephone bills revealed a payment process error in the County Attorney's Office and the need to modify the County Sheriff's cellular phone procedures. (See County Attorney and County Sheriff responses.)

The review of the payroll and long-distance telephone procedures covered 15 department heads and the County Manager. The State Auditors requested that the long-distance telephone procedures review be expanded to include the County Attorney, County Sheriff, and Judicial District Administrator.

In reviewing the supporting payroll documentation that the County Manager and department heads had on file for the five pay periods tested, appointment calendars were compared to the payroll records to ensure all time was properly reported. Similarly, detailed long-distance phone records were also reviewed for each of the positions identified to ensure that personal long-distance calls were being reimbursed or charged to the employee's credit card or home phone.

As indicated in the report, the State Auditors randomly sampled 5 of 48 pay periods for review, which represents slightly more than a 10% sample. We believe this to be a standard sample size which should disclose any possible discrepancies.

Following are specific responses to the recommendations made in the report.

DEPARTMENT OF PROPERTY RECORDS AND REVENUE

During the review of the time records of employees in the Department of Property Records and Revenue, a sample test of payroll records revealed inconsistencies. Subsequently, the County Manager requested that additional testing be performed on the time records of the former Acting Director and that a random sample of other employees in the Department of Property Records and Revenue be undertaken.

Former Acting Director

The State Auditor performed additional testing on the time records of the former Acting Director, and determined that the "most reliable source of payroll records would be the Time/Work/Daily Reports completed and signed by Mr. O'Donnell". Based on this statement, we will take action to reduce the balance of vacation time for the former Acting Director to 9.3236 hours. These hours will remain unpaid until the State Auditor concludes the current special investigation.

Records & Revenue Department -- Leave Time Reconciliation

We will be establishing a work plan to perform a reconciliation of the amounts of leave time used by Department of Property Records and Revenue employees. Leave time will be reconciled among the County's payroll records, the Request for Leave slips and the Annual Time Records. As any differences are reconciled, adjustments will be made to the leave balances on the County Payroll System.

ALL DEPARTMENTS - TELEPHONE PROCEDURES

The County's policy on long-distance telephone calls is as follows:

It is the County's policy that all long-distance telephone calls, including fax calls, should be identified as either business or personal.

Personal long-distance calls should be charged to the employee's home phone or personal credit card. If a personal long-distance call is charged to the County, the employee responsible for the call must submit a personal check to pay for that charge.

All County departments are following proper procedures for long-distance telephone calls. However, not all employees are identifying their long-distance calls as business, but are identifying their personal long-distance calls.

Departments will be notified of the importance of employees confirming long-distance calls as either business or personal. Employees will also be required to sign or initial their long-distance telephone bill to confirm a review has been completed.

PAYROLL AND LEAVE POLICIES AND PROCEDURES

Since 1971, the chief administrative officer of the County has not approved leave time slips or time sheets prepared by County department heads.

On October 9, 1996, the County Manager implemented a procedure requiring leave slips to be prepared by department heads and approved by the County Manager. A task force was created by the County Manager to review and make recommendations regarding the reporting of all time worked and paid time off for these department heads.

The County does have administrative procedures for reporting hours worked and leave taken. This procedure was outlined in a memo dated November 5, 1982, from the then Acting Executive Director to all County departments.

OVERALL RECOMMENDATIONS

Positive Time Reporting, Request for Leave Slips, and Written Policy

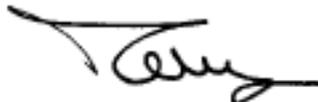
The County will implement a positive time reporting system for all employees. Many County departments already use a positive time reporting system, and the other departments use a modified form of positive time reporting. Positive time reporting requires employees to keep track of their time on a daily basis.

CONCLUSION

We would like to thank the State Auditor and her staff for their assistance in reviewing the County's payroll and long-distance phone procedures for key staff and elected officials. The results of the audit and recommendations will benefit the County and its citizens.

Should you have any questions on this material, please call me.

Yours truly,



Terry Schutten
Ramsey County Manager

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Attachments

cc: Judith Dutcher, State Auditor
Bob Fletcher, Ramsey County Sheriff
Susan Gaertner, Ramsey County Attorney
Sue Alliegro, Judicial District Administrator
County Department Heads



Property Records and Revenue

Michele Timmons, Acting Director

845 Government Center West
50 West Kellogg Boulevard
St. Paul, MN 55102-1896

Fax: 266-2199
TTD#: 266-2002

February 19, 1997

Ramsey County Board of Commissioners
220 Court House
15 West Kellogg Boulevard
St. Paul, MN 55102

SUBJECT: Response to Report of State Auditor by the Department
of Property Records and Revenue

Dear Commissioners:

This letter is written to respond to the "State Auditor's Report on Applying Agreed-Upon Procedures for Ramsey County". The two agreed-upon procedures, #1 and #3, which are applicable to the Department of Property Records and Revenue, are cited below and followed by the Department's responses.

Agreed-Upon Procedure #1 -- "Review selected payroll and leave records of the County Manager and the County's 15 appointed department heads for evidence that the hours worked and vacation and sick leave hours taken were accurately reported during the period from January 1, 1995, through October 31, 1996."

Response

As stated in the County Manager's letter, it was requested that the State Auditor reconcile the payroll records for the former Acting Director of the Ramsey County Department of Property Records and Revenue. This request was made by the County Manager, with my concurrence, to provide an independent and factual basis for determining the vacation balance due the former Acting Director.

Accordingly, the Department of Property Records and Revenue will use the State Auditor's recalculation of vacation balance, stated in the report to be 9.3236 hours, as the basis for determining the final vacation balance. Final payment will not be made, however, until the State Auditor's special investigation is completed.

Agreed-Upon Procedure #3 -- "Review the procedures in place in each department to obtain evidence that payroll is accurately reported and personal long-distance calls are reimbursed to the County."

Response

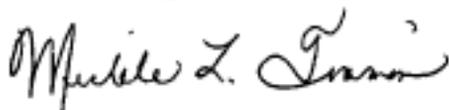
Each recommendation addressed to the Department of Property Records and Revenue is discussed below:

- o Request for Leave Slips: As stated in the State Auditor's report, all but six employees in a department of over 150 have used Request for Leave slips since the County began requiring them. The use of Request for Leave slips was implemented for all Department employees on October 9, 1996, by a memo from the former Acting Director. At this time, all employees of the Department of Property Records and Revenue are required to complete Request for Leave slips and submit them to their supervisor for approval.
- o Differences Between Annual Time Records, Request for Leave Slips, and Payroll System: In the State Auditor's report, it is recommended that the County compare the Department's Annual Time Records and Request for Leave slips to what is recorded on the time entry system for the County. The Department of Property Records and Revenue will fully cooperate in accomplishing this further recommended reconciliation of the Department's payroll records.
- o Record Retention: I have asked that all original payroll records be filed and maintained in the administration area of the Department, and that no original records be allowed to be taken out of the building.
- o Overall Recommendation: In the State Auditor's report, it is recommended that the Department discontinue using the Annual Time Records and begin using the Ramsey County Biweekly Time Report and Request for Leave slips. As stated above, the use of Request for Leave slips by all Department employees was implemented October 9, 1996. The recommendation to use the Ramsey County Biweekly Time Report has also been implemented, effective for the payroll period beginning January 25, 1997.
- o Telephone Procedures: The Department of Property Records and Revenue has procured a number of rubber stamps to facilitate review of telephone bills. These stamps indicate that the calls, unless otherwise noted, are business calls, and there is a blank line for the employee's signature. These stamps were distributed to each division manager at a recent manager's

meeting. In a meeting with State Auditor representatives, they indicated that this method was an acceptable manner to implement the overall recommendation that employees making long-distance calls confirm that all calls were either personal or business-related.

I would like to thank the State Auditor and her staff for their work in reviewing the payroll records of the Department of Property Records and Revenue.

Sincerely,

A handwritten signature in cursive script that reads "Michele L. Timmons".

Michele L. Timmons
Acting Director

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OFFICE OF THE RAMSEY COUNTY ATTORNEY

SUSAN GAERTNER
County Attorney

February 13, 1997

Board of Ramsey County Commissioners
Room 220 Ramsey County Courthouse
St. Paul, MN 55102

Dear Commissioners:

In response to the State Auditor's request on applying agreed upon procedures for Ramsey County - January 1, 1995 to October 31, 1996, below please find my comments relating to the report's statement about telephone usage in the County Attorney's Office:

During my interview with the auditor's representative, I stated that I reimbursed the county each month for personal long distance calls that were presented to me for payment. When the county attorney's staff began gathering information for the auditor's testing purposes, they discovered that, except for April 1995, no bills for personal long distance calls made by me had ever been presented to me for payment and had, therefore, not been reimbursed by me to the county. When I was informed about and presented with bills for my personal long distance charges in December 1996 for the period January 1995 through December 1996, I reimbursed the county \$48.16 which was the total sum for the charges. I am confident that any problems with using the current reimbursement procedure for charges related to my personal long distance calls on my office phone lines have been corrected, and the county will be reimbursed timely in the future in compliance with the county's stated policy on the matter.

Please include the above comments in any final report that the State Auditor issues on this matter. Thank you for your cooperation.

Sincerely,


SUSAN GAERTNER
Ramsey County Attorney

SG/bk

BOB FLETCHER
RAMSEY COUNTY SHERIFF

14 W. Kellogg Boulevard
St. Paul, Minnesota 55102-1648
Telephone: (612) 266-9300
Telefacsimile: (612) 266-9328



February 12, 1997

Honorable Ramsey County Commissioners
200 Courthouse
St. Paul, MN 55102

Dear Honorable Commissioners,

On February 11th, I received a draft copy of the State Auditor's comments regarding cellular phone use. I support the Auditor's recommendations and wish to add some additional clarification.

Since becoming Sheriff I have used two cellular phones for business purposes. One phone is permanently mounted in my Ramsey County Sheriff's squad car and billed to the County. The second phone is a portable cellular phone that was purchased by me, billed directly to me and paid for with personal funds. Both phones have been primarily used for business purposes, however I have personally paid the entire \$1278.65 for local service of the second phone since January of 1995 and not asked for reimbursement of the business calls.

As the auditor suggested, I am in the process of reviewing all previous billing statements from my personal cellular phone and the County car phone. I will provide a detailed report to the County Manager upon completion of that task, however, even a preliminary review of the bills suggests that the county will owe me in excess of \$100.00 after both reimbursements are itemized and calculated. I do not intend to ask for reimbursement of the excess.

Since the September 1996 meeting held by the County Manager's staff all bills are being reviewed and itemized for reimbursement. Appropriate documentation was provided to the auditor.

In addition, I welcome the Auditor's recommendation that we establish a reasonable and fair policy and convenient procedure which would reduce the administrative time required to identify personal calls made by deputies in patrol or transport vehicles and thereby recognize the unique situation of employees whose vehicles have become their offices.

Sincerely,

Bob Fletcher
Sheriff, Ramsey County