OCIA Audit Finding & Recommendations for Updated Responses

RCE   9/10/2010

Finding:
Finding 1: SCDOT inspectors perform weekly interviews of contractor and subcontractor employees. They ascertain the associates name, job title, hourly rate of pay, employer, and job performing. Also the date of the interview is recorded on the Wage Regulation Report. The RCE is required to review and sign this form. If no work was performed during the week, then that is noted on the form and signed. All contractors and subcontractors who worked on the project during the week are required to submit a certified copy of their payroll to the RCE office within four weeks of the close of the pay period. Wage Regulation Reports were included in all files audited. However, there were inconsistencies when the RCE signed the form and how much time was spent correcting variances.

Recommendation:
Recommendation 1: We recommend that the Construction office provide additional training on Davis-Bacon Act and completion of the necessary forms. RCE's were unclear as to when and why they were signing the Wage Regulation Report. Some RCE's were signing the Wage Regulation Report confirming the interviews where done and some were signing only after certified payrolls were received and reviewed. There were also inconsistencies about how to handle discrepancies between the rate reported on the Wage Regulation Report and the rate of the certified payroll, however all projects audited were in compliance with the Davis-Bacon Act. A refresher class on why and how this is required would be beneficial.

September 2010 Response:
We concur with this recommendation. The Director of Construction (DOC) office will provide training to district personnel regarding; the Davis-Bacon Act, certified payrolls, wage rate interviews, and proper completion of all necessary forms in this matter.

April 2015 Updated Response:
The Construction Office provided updated guidance on conducting interviews, recording information and addressing discrepancies. This included new interview frequencies and a form letter with thresholds to address wage discrepancies.

Finding:
Finding 2: Per 107.1.2.3 Payroll Transcripts of the Construction Manual, when a contractor's employee's name first appears on the payroll transcript, their address and social security number should be shown. There was also an instance where copies of social security cards and drivers license for contracted crane operators were in the project file. This information is confidential and should be treated as such.

Recommendation:
Recommendation 2: We recommend revisiting the need for this level of personal information. However, if it is determined to be necessary, then steps must be taken to ensure that this information is secured. This would include educating the employees who handle this information about keeping these files secured in a locked file cabinet.

September 2010 Response:
We concur with this recommendation. The DOC office will review the need to require and store Social Security numbers of contractor personnel. If it found that this information is not required, we will discontinue collection and storage of this data. If this information is needed, guidance to district personnel will be provided regarding the security of this sensitive information.

April 2015 Updated Response:
Social Security Numbers are no longer required on payrolls submitted to SCDOT.

Finding:
Finding 3: Construction Engineer Inspectors (CEI's) perform the same duties as SCDOT inspectors. These on-call contracts are negotiated and approved by Headquarters. Hourly rate plus the approved overhead charges are detailed by individual CEI's that are approved to work on the contract. Invoices are submitted to the RCE who reviews and then submits them to the district for payment. The invoices should include the breakdown of overhead charges to compare to the approved amount prior to approving the invoice for payment. We audited one project where a CEI was contracted on the project. The invoice that was submitted did not include the breakdown of approved rates. We met with the headquarters employee who administers the contract. We reviewed the contract and the list of approved rates for the project and verified that the rate charged was the approved rate.

Recommendation:
Recommendation 3: We recommend educating both the CEI's submitting invoices and the district personnel approving the invoices on the importance of including the approved rates with the invoice for payment.

September 2010 Response:
We concur with this recommendation. The DOC office will provide additional direction to district personnel and consultants regarding invoice supporting documentation and retention.

April 2015 Updated Response:
Contract Services Office has been engaged to educate and standardize the invoice process as much as possible to ensure that all necessary information is obtain and properly documented prior to approval.

Finding:

Finding 4: After payroll is locked and approved, the labor is then distributed to the designated project or charge codes. The payroll system allows Timekeepers to make revisions. However, revisions do not effect labor distribution once labor has been distributed. If there is a change in payroll that would result in a change in hours charged to a project, then a Departmental Transfer Form needs to be processed. A Departmental Transfer Form is used to move dollars between charge codes; however, Timekeepers would know the hours and not the distributed dollars. We found an instance where a payroll change was made after the labor distribution had been processed. Overall hours paid to the employee did not change, but hours were moved from a project to the home office. A Departmental Transfer Form was not processed. This resulted in 1.5 hours charged to a project that should have been charged to the home allotment.

Recommendation:

Recommendation 4: Since this involves payroll, accounting and engineering, we recommend a committee be formed to develop a process for handling these instances. This committee would work to develop the necessary steps needed to validate and approve the requested changes to charges. The committee may want to have the Timekeeper note the hours and charge codes on the Departmental Transfer Form and forward to the payroll department. The payroll department would calculate the dollars and forward to the engineering office. The appropriate office would approve and send to the accounting department for processing.

September 2010 Response:

Engineering will work with payroll and accounting as needed on this finding. However, since this recommendation involves potential changes to the current accounting system, it is recommended that SCDOT focus on ensuring this issue is resolved in the upcoming implementation of the South Carolina Enterprise Information System (SCEIS). A memorandum containing this finding and recommendation will be drafted by the DOC and forwarded to those working with SCEIS so they may be aware of these concerns. In addition, engineering liaisons will be available to provide support and assistance if needed.

April 2015 Updated Response:

The implementation of SCEIS has greatly improved the communication between timekeepers, payroll and accounting. In addition, SCDOT has recently implemented SCEIS enhancements that provide better visibility to supervisors approving time charges.

Finding:

Finding 5: In an effort to support actual hours charged to projects, total hours documented for salaried associates for a pay period may exceed their scheduled time for that pay period. Salaried employees do not receive overtime but are entitled to compensation time for hours worked that exceed their scheduled time. When comp time is used, the time is charged to the home office code. In an effort to reduce the workload of the payroll employees at headquarters, the labor distribution program portion of the payroll system will attempt to make the adjustments when hours worked exceed hours scheduled. For example, if the hours

worked exceeded the hours scheduled by four hours, the system will reduce the hours charged to the first charge code entered for that pay period by four hours. If the number of hours charged on the first line does not exceed the excess hours, then the information is captured on an exception report for payroll. The headquarters payroll employee will then manually adjust the hours to not exceed scheduled hours. The current process results in a manageable workload for the payroll department but may result in under charging projects. We found two instances where projects were undercharged because the project charge code was the first line entered for payroll and the excessive hours were subtracted from the project.

Recommendation:
Recommendation 5:We recommend further discussion between the payroll department, engineering department, and information technology department to determine options. Removing the current system's logic would result in a heavy workload for the payroll department. However, the current process results in under billing and timesheets not matching payroll sheets.

September 2010 Response:
Engineering will work with Payroll and IT as needed on this finding. However, since this recommendation involves potential changes to the current accounting system, it is recommended that SCDOT focus on ensuring this issue is resolved in the upcoming implementation of the South Carolina Enterprise System (SCEIS). A memorandum containing this finding and recommendation will be drafted by the DOC and forwarded to those working with SCEIS so they may be aware of these concerns. In addition, engineering liaisons will be available to provide support and assistance as needed.

April 2015 Updated Response:
SCDOT has implemented processes to ensure that hours charged to projects do not exceed the standard work period.

Finding:
Finding 6: OMR personnel key in the file number, from the sample, into the Contracts-Cardfile application on the construction website to obtain the corresponding charge code for the file number. Charge code, file number, lab number, test id, number of tests performed and date are all entered into a database maintained by OMR to produce a report that is then sent to the accounting department. Upon receipt of the report from OMR, the accounting associate keys the necessary information into the General Ledger function within the Accounting Entry System. We found two instances where the wrong charge code was associated with the file number resulting in charges being accessed to the incorrect project or charge code.

Recommendation:
Recommendation 6: The IT department is currently working on a system to upload the reports from the OMR into the Accounting System. This will reduce the risk of the accounting associate making input errors. While this is a start, this would not solve the problem of having the wrong charge code for a file number. We recommend expanding the process. Prior to uploading, we

recommend that the file number and charge code be validated for the same project. Variances would be separated on a report for further investigation, correction, and reprocessing. This would reduce the number of instances of having the incorrect charge code for a file number.

September 2010 Response:
This finding and recommendation will be forwarded to Information Technology Services as recommended by the audit. The DOC Office also recommends that charge code information be pulled from existing systems to make sure this information is not entered incorrectly. Engineering liaisons will be available to provide support and assistance if needed.

April 2015 Updated Response:
The implementation of P2S has eliminated several steps of charge code entry. OMR employees may now easily verify charge codes and file numbers in a central location. This "one-stop shopping" formula reduces the opportunities for improper charging of testing.

Finding:
Finding 7: Inspectors must be able to document and support time charged to projects. This can be done in SiteManager, Outlook calendar, or in spreadsheet form. Regardless of how inspectors keep track of their daily tasks, they must be compiled and entered on a timesheet. Time sheets are then entered into the payroll system by the administrator or someone authorized to enter payroll using the charge code. We found instances where hours recorded on timesheets did not match supporting documentation. The offices that were audited were making a conscious effort to properly document and support the charges.

Recommendation:
Recommendation 7: We recommend Engineering and IT investigates ways to automate or make better use of technology. There are a variety of ways currently used by the district offices to keep track of hours for each project. However, most of them entail keeping a daily record of hours by project and then transferring these hours to the payroll sheet used by the time keepers for entry into the payroll system. This is a manual process and leaves plenty of room for human error. We also recommend looking into the feasibility of uploading this information into the payroll entry system.

September 2010 Response:
We concur with this finding and will work with IT as recommended. However, since this recommendation involves potential changes to the current accounting system, it is recommended that SCDOT focus on ensuring this issue is resolved in the upcoming implementation of the South Carolina Enterprise Information System (SCEIS). A memorandum containing this finding and recommendation will be drafted by the DOC and forwarded to those working with SCEIS so they may be aware of these concerns. In addition, engineering liaisons will be available to provide support and assistance as needed.

April 2015 Updated Response:
The implementation of SCEIS with work task descriptions for daily activities has remedied this issue.

Finding:
Finding 8: Documented and supported vehicle mileage should be charged to a project. A daily trip log is completed each time a vehicle is driven. This is a handwritten log that records the date, person driving the vehicle, miles driven, charge code, and purpose for the trip. At the end of the month, this information is then typed into a form. This form is reviewed and signed and then submitted to an administrator for keying into the STARS system. Employees should be able to support the use of the vehicle either through DWR's SiteManager or from time sheets noting activities performed that day.   We found instances where there were no supporting notes in SiteManager nor was the associate able to supply any other notes to support the mileage charges. As with the payroll, these errors were human in nature and the total amount was immaterial.

Recommendation:
Recommendation 8: We recommend automating part of this process. If the vehicle trip log is completed on Form 3087 found on the Intranet, then this information is in a database that can then be imported into the STARS system. This would only be done after the form was approved by the RCE. The time saved on automating this process can be used to review and compare the vehicle log to the timesheets to ensure the charges are valid. Automating this would require time and programming from the IT department, but would reduce the amount of manual keying that is required of the administrator associate.

September 2010 Response:
We concur with this finding and will work with IT as recommended. However, since this recommendation involves potential changed to the current accounting system, it is recommended that SCDOT focus on ensuring this issue is resolved in the upcoming implementation of the South Carolina Enterprise Information System (SCEIS). A memorandum containing this finding and recommendation will be drafted by the DOC and forwarded to those working with SCEIS so they may be aware of these concerns. In addition, engineering liaisons will be available to provide support and assistance as needed.

April 2015 Updated Response:
This functionality was not incoporated into the SCEIS system due to the limited scope of the SCEIS project. Finance has requested that IT write a program to compare equipment usage to employee working time and provide exception reporting to the accounting department when an equipment charge does not have a corresponding employee time charge to the same project on the same day.