



**Council Auditor's Office**  
**Follow-Up on JTA Payroll Audit**  
**Report #763B**

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**OFFICE OF THE COUNCIL AUDITOR**  
 Suite 200, St. James Building



July 6, 2021

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Honorable Members of the City Council  
 City of Jacksonville

The purpose of this report is to document our second follow-up review of our past report #763, Jacksonville Transportation Authority (JTA) Payroll Audit, and to determine whether corrective action has been taken in response to our findings and recommendations. We are providing this special written report in accordance with Ordinance Code Section 102.102. This report does not represent an audit or attestation conducted pursuant to Government Auditing Standards. The initial audit report can be found on our website.

We sent a follow-up letter to the JTA Chief Executive Officer on February 12, 2021 inquiring as to the status of the remaining original audit report recommendations. We reviewed the recommendations from our audit and follow-up reports, the auditees' responses to the recommendations, and the auditees' responses to our follow-up letter. We then performed limited testing to verify the responses.

Based on the responses received and our follow-up testing, here is a table detailing the original number of issues noted and how many have been resolved as of this follow-up.

<b>Types of Issues</b>	<b>Original Number of Issues</b>	<b>Issues Cleared Prior to This Follow-up</b>	<b>Remaining Issues Prior to This Follow-up</b>	<b>Issues Cleared During This Follow-up</b>	<b>Remaining Issues</b>
Internal Control Weaknesses	9	5	4	1	3
Findings	8	8	0	0	0
Opportunities for Improvement	7	7	0	0	0
<b>Total</b>	<b>24</b>	<b>20</b>	<b>4</b>	<b>1</b>	<b>3</b>

The following is a brief summary of the remaining issues with responses from JTA that we received on June 30, 2021.

**Internal Control Weakness 1 - Improper Segregation of Duties**

In the original audit, we found that the Payroll area was tasked with processes that, when combined with regular payroll processing, created a weak internal control structure. Specifically, we noted that the Payroll area sometimes made changes to drivers' time information in the HASTUS timekeeping system (used for Bus Drivers) and was required to manually enter times from the ADP timekeeping system (used for all other employees) into the payroll system. We also noted that Payroll had the

ability to make changes to employee timecards in the ADP timekeeping system, had access to blank paychecks and was involved in the distribution of checks.

Because an employee who has control over all steps of the process from when employee time is logged to when payment is distributed could commit fraud without detection, we recommended that Payroll no longer have the ability to make changes in the timekeeping systems and that their level of access in these systems be read-only.

We recommended that JTA make sure that its new payroll system, a component of its new Enterprise Resource Planning (ERP) system, would allow for both the HASTUS and ADP systems to be interfaced with the payroll system so that there would not be a manual transfer of time data. Also, JTA needed to remove the Payroll area from involvement with the printing and distribution of checks.

As of our first follow-up, JTA did interface the systems to allow for the automated transfer of time data and as of this follow-up the Payroll involvement with the printing and distribution of payroll checks has been mitigated due to only one hardcopy check being issued per payroll and additional controls added by JTA. However, payroll staff still have the ability to make changes in the timekeeping systems. This will hopefully be addressed with the transition to KRONOS which should greatly reduce the need for payroll involvement and open up other controls that can be added to mitigate the risk.

***JTA Response to the Follow-Up of Internal Control Weakness 1***

Agree                       Disagree                       Partially Agree

*The JTA Management agrees with the follow-up assessment of the Council Auditor's Office. JTA has selected KRONOS to update the current timekeeping system. Due to COVID-19 several delays occurred which has extended the implementation timeline. JTA is expecting back office system implementation to be ready by October 2021. Operational implementation will take additional time as all operations and dispatch personnel must be trained in the new operating procedures. Development of revised operating procedures will be conducted in parallel with back office preparation. The new process is expected to be fully implemented by the end of the calendar year. KRONOS will allow for increased functionality that will include punches for Transit Operations, including Operators, as well as approvals by direct supervisors/managers of the time prior to final processing.*

**Internal Control Weakness 3 - Lack of Sign-Off by Drivers to Support Time Worked**

In the original audit, we noted an unwritten policy that if the bus drivers worked their regular schedule, they were not required to submit a timecard or sign-off on anything confirming the time worked. On the other hand, if they worked more or less time during the regularly scheduled day, then they were required to submit a timecard. Because this created situations where the drivers were not always attesting to the hours worked, we recommended that JTA require that drivers acknowledge in writing (or electronically) that they actually worked the time that was recorded in the HASTUS timekeeping system.

At the time of the first follow-up JTA believed that HASTUS had a function that JTA was exploring that would enable drivers to attest to hours worked. During this follow-up we were informed that during the testing process it was determined that HASTUS could not fulfill JTA's requirements. JTA then researched other alternatives and decided on one in 2019; however, due to COVID there have been delays in implementation. We will follow-up on this issue in our next follow-up.

***JTA Response to the Follow-Up of Internal Control Weakness 3***

Agree                       Disagree                       Partially Agree

*The JTA Management agrees with the follow-up assessment of the Council Auditor's Office. JTA has selected KRONOS to update the current timekeeping system. Due to COVID-19 several delays occurred which has extended the implementation timeline. JTA is expecting back office system implementation to be ready by October 2021. Operational implementation will take additional time as all operations and dispatch personnel must be trained in the new operating procedures. Development of revised operating procedures will be conducted in parallel with back office preparation. The new process is expected to be fully implemented by the end of the calendar year. KRONOS will allow for increased functionality that will include punches for Transit Operations, including Operators, as well as approvals by direct supervisors/managers of the time prior to final processing.*

**Internal Control Weakness 6 - No Automated Process for Calculating and Tracking Bus Driver Leave**

In the original audit, we noted that the process for calculating and tracking bus driver leave time (both vacation leave and sick leave) was a highly manual process. The scheduling planners reviewed driver information and determined the amount of vacation leave each driver had earned. All driver vacation leave was entered into the HASTUS system once per year by the Operations Area. This was done in conjunction with the route scheduling process. Sick leave was manually accrued and tracked by the Payroll area in a spreadsheet.

These manual processes increased the risk of human error and intentional manipulation of employee leave data. As such, we recommended that JTA enhance the current driver timekeeping system so that it has the capability to automatically track bus driver vacation and sick leave.

As part of our first follow-up, we were able to confirm sick leave was being automatically accrued in the payroll system; however, there was not a solution yet for the automation and tracking of vacation leave. During this follow-up we were informed that the new system will enable this to occur; however, as noted in internal control weakness 3, the implementation was delayed due to COVID-19. We will follow-up on this in our next follow-up.

***JTA Response to the Follow-Up of Internal Control Weakness 6***

Agree                       Disagree                       Partially Agree

*JTA had approved the funding for the additional phase of the HASTUS upgrade. Through the discovery process, it was determined that the vendor could not fulfill the system requirements required in the audit recommendation. However, the requirement to automate the process for*

*calculating and tracking bus driver leave will be included in KRONOS. In addition KRONOS will provide the functionality for drivers to approve their time; the tracking of vacation and sick accruals will be automated and transferred directly into the Oracle Payroll module for processing. This will eliminate manual processing and decrease the risk of potential human error.*

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We would like to thank the Jacksonville Transportation Authority for their cooperation in conducting this follow-up review.

Respectfully submitted,

*Kim Taylor*

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Council Auditor