



FEDERAL MARITIME COMMISSION
Office of Inspector General
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Office of Inspector General

TO: Vern W. Hill
Director, Bureau of Enforcement

FROM: Adam R. Trzeciak
Inspector General

SUBJECT: Review of Bureau of Enforcement Time and Attendance Practices

The Office of Inspector General (OIG) conducted a review of the Bureau of Enforcement's (BOE) Time and Attendance (T&A) practices as part of the agency's annual financial statement audit. The objectives were to assess whether BOE complied with agency policies and government regulations concerning T&A.

The OIG selected T&A records for four employees to test payroll procedures and processes used in the bureau. Two of the employees selected have T&A processing responsibilities. All records pertained to CY 2007 leave year.

The OIG found weaknesses in internal control that lead to errors or omissions in the recording of T&A data. For example, we found a lack of separation of duties that enabled both the primary and alternate timekeepers to record their leave in the payroll system in violation of FMC payroll processing procedures and Government Accountability Office internal control standards. An unscrupulous employee could enter fewer leave hours than were actually used with little fear of detection.

Further, the payroll file repeatedly lacked required documentation to enable us to identify work schedules, including "telework" approvals (Form FMC-110), employee arrival and departure records for employees on alternative work schedules (Form FMC-109), and employee requests for leave (OPM Form-71). We identified 265 hours of leave used by the four employees in our sample without the leave request documented in the file.

When leave was requested in advance, we identified several instances where the amount of leave approved exceeded the leave documented in the payroll system. For example in four instances, the payroll system recorded less leave used for the alternate timekeeper than she

requested on the leave request form. In another instance, one employee was approved for 27 hours of sick and annual leave but no hours were charged to leave in the payroll system. One explanation for this observation is that the leave used was less than originally requested. Another explanation is leave abuse – leave taken but not recorded. We could not determine the reason for the discrepancies in large part due to the breakdown in internal control. The OIG also identified processing errors and procedural oversights which we discuss in the attached report. Because of the lack of leave documentation and controls over T&A processing, the OIG cannot provide assurances that staff are not abusing leave privileges.

BOE Management has reviewed the final report and concurs with the findings and recommendations. Management chose not to provide written comments, but told the OIG that all recommendations have been implemented.

cc: Director, Operations
Deputy Director, Administration

Office of Inspector General

**Review of Bureau of
Enforcement Time and
Attendance Practices
A09-02**



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FEDERAL MARITIME COMMISSION

Review of Bureau of Enforcement Time and Attendance Practices

The Office of Inspector General (OIG) completed a review of the Federal Maritime Commission (FMC), Bureau of Enforcement's (BOE), Time and Attendance (T&A) practices. The audit objectives were to assess whether BOE complies with agency policies and government regulations concerning T&A reporting.

Background

The Federal Maritime Commission (FMC) has a Service Level Agreement with the Department of Agriculture, National Finance Center (NFC), to process its time and attendance records. The NFC supports a web-based application, System for Time and Attendance Reporting (STAR), for use by timekeepers in the preparation and transmission of attendance reports to the NFC as a first step in pay and leave administration. Each bureau/office is assigned one or more timekeepers to administer the T&A process. Employees are responsible for accurately recording their time and attendance, and certifying the accuracy of their T&A records. Supervisors are responsible for approving work schedules, leave requests, and certifying T&A biweekly submissions.

The FMC's Office of Financial Management (OFM) issued Standard Operating Procedures (SOP) for T&A in July 2007 and again in April 2008. The SOP identifies procedures and responsibilities relating to the documentation and transmission of the Commission's T&A records and processes. The Commission also provides guidance to agency employees in Commission Order (CO) 64, *Employee Absence and Leave* (December 3, 2004), and CO 92, *Work Schedules*, (December 15, 2003). CO 92 requires employees to document their work schedules on Form FMC-110, *Employee Request for Work/Telework Schedule* and the actual hours worked on Form FMC-109, *Employee Arrival and Departure Record*.¹ CO 92 addresses regular and compressed work schedules and CO 64 reiterates supervisor and employee responsibilities.

Employee requests for leave (sick, annual or other) are to be made to the supervisor on Office of Personnel Management (OPM) Form 71, *Request for Leave or Approved Absence* (i.e., leave slip), in advance of the proposed leave. The supervisor can approve, disapprove or modify the request. The employee's signature on the leave request form is a strong control over leave abuse, as it certifies that the *leave/absence requested is for the purpose(s) indicated... and that falsification of information on the form may be grounds for disciplinary action, including removal*.²

¹ Employees on compressed work schedules are required to complete FMC-109, however the agency recommends that all employees use the form to document time and attendance.

² See OPM Form 71.

The Form FMC-109 and OPM Form 71 together document, for the timekeeper, the hours worked or leave used. The timekeeper, based on this documentation, enters the time and attendance information into STAR. Once entered, an individual STAR report is generated for each employee for that pay period. The timekeeper, employee and the supervisor all must certify to the report's accuracy, and that leave used was in keeping with federal laws and regulations. Therefore, it is critical that the reports be accurate and supported by detailed records.

The BOE has one primary and one alternate timekeeper. The primary time keeper is responsible for entering all T&A information for seven BOE employees into STAR. The BOE alternate timekeeper enters T&A information for the BOE director, deputy director and herself.

Objectives, Scope and Methodology

The objective of this review was to assess whether BOE complied with agency policies and government regulations concerning employee time and attendance. We judgmentally selected four employees in BOE for detailed review of their respective leave slips, STAR reports, work schedule requests and employee maintenance data sheets. The review scope included all pay periods in calendar year 2007.

We began the review by gaining an understanding of T&A practices used in the bureau and compared practices with OPM and FMC timekeeping rules and regulations. For each employee in our sample we reviewed STAR reports and reconciled leave taken with leave request forms (OPM Form 71) and verified that each STAR report contained required certifications (timekeeper, employee and supervisor). We reviewed employee requests for leave to determine whether leave was requested and approved in advance of the leave taken. We also tied leave requests back to the STAR system to verify that leave requested matched leave recorded and inspected each form for Personally Identifiable Information (PII). Finally, we reviewed forms FMC-109 and FMC-110 to determine whether they were completed accurately and, when applicable, evidenced supervisory approval.

We conducted the audit in October and November, 2008, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on these objectives.

Audit Findings

The OIG found weaknesses in internal control that lead to errors or omissions in the recording of T&A data. For example, we found a lack of separation of duties that enabled both the primary and alternate timekeepers to record their leave in the payroll system in violation of FMC payroll and Government Accountability Office (GAO), internal control standards. This practice provides an unscrupulous employee the opportunity to enter fewer leave hours than were actually used, with little fear of detection.

Further, the payroll file lacked required documentation to identify work schedules, including “telework” approvals (Form FMC-110), employee arrival and departure records for employees on alternative work schedules (Form FMC-109), and employee requests for leave (OPM Form-71). We identified 265 hours of leave used by the four employees in our sample without the leave request documented in the file.

When leave was requested in advance, we identified several instances where the amount of leave approved exceeded the leave documented in the payroll system. One explanation for this observation is that the leave used was less than originally requested. Another explanation is leave abuse – leave taken but not recorded. We could not determine the reason for the discrepancies in large part due to the breakdown in internal control.

The OIG also identified processing errors and procedural oversights, which we discuss below.

Finding 1. BOE Timekeepers Enter Their Own T&A Information into STAR

Bureau/Office heads submit Form FMC-81, *Designation of Authorized Representative*, to the Office of Human Resources (OHR), through OFM, to identify the payroll certifier and the primary and alternate timekeepers. Timekeepers are assigned user codes and passwords to access the system. In BOE, the primary timekeeper is responsible for entering time and attendance information for seven staff, including herself. The alternate timekeeper is assigned three staff, including herself.

According to GAO’s Standards for Internal Control, key duties and responsibilities should be divided or segregated among different people to reduce the risk of error or fraud. Further, the agency’s T&A procedures state that alternate T&A clerks are responsible for preparing the primary time clerk’s time card.

The OIG noted that both the primary and alternate timekeepers enter their own time and attendance data into the STAR system. This process enables either timekeeper to modify their own T&A records with little fear of detection. When T&A information is entered into the system, timekeepers print each employee’s attendance record for the pay period. The record is signed by (1) the timekeeper, (2) the employee, and (3) the supervisor. The timekeeper who self enters his/her own time can change information in STAR (before transmission) to decrease the amount of leave used, effectively increasing the leave balance.

For example, the primary timekeeper could request and use 15 hours of annual leave in a pay period. S/he could then enter the leave into STAR, print a copy for supervisor certification and file the certification with payroll documents for that pay period. However, she could then reenter STAR and reduce the number of hours of leave used in the system. Requiring the alternate T&A clerk to enter the primary clerk’s time greatly reduces the likelihood of this occurrence.

In BOE, the primary and alternate timekeepers certify each others' timesheets (i.e., the printouts from STAR). However, this responsibility should reside with the individual who enters the time in STAR. Since the individuals are self-entering T&A information, the certification provides no assurances that the time entered is accurate.

Recommendation 1. We recommend the BOE follow FMC procedures and require that the alternate T&A clerk prepare the primary time clerk's time card (i.e., enter information into STAR) and that the primary timekeeper enter the alternate timekeeper's time and attendance information into STAR.

Finding 2. Adherence to Agency Policies

The Commission establishes policies and procedures for staff (employees, timekeepers and supervisors) to follow to ensure compliance with government-wide regulations. Review of timekeeping practices used by the employees in our sample revealed inconsistent compliance with agency guidelines in the following areas.

Employee Request for Work/Telework Schedule

CO 92 states that supervisors are responsible for providing each employee with a copy of Form FMC-110, *Employee Request for Work/Telework Schedule*. This enables supervisors to monitor employee arrival and departures. Employees are responsible for completing Form FMC-110 and submitting it to the supervisor for approval. This form can be found on the agency's intranet. Once the form is approved or disapproved by the supervisor a copy is provided to the employee and the timekeeper.

We found one of the four employees worked an alternative work schedule and provided the Form FMC-110 to the supervisor. The supervisor approved an alternate work schedule for the employee in January 2007, as instructed by the agency's policy. The OIG noted that the employee did not use the updated form dated December 2001, that the agency provides to its employees on the intranet and in CO 92. The updated Form FMC-110 provides the employee an option of selecting a telework schedule or an episodic telework schedule.

The remaining 3 of the 4 employees did not have a Form FMC-110 on file until we requested the documentation during our review. All were signed by the employee and approved by the supervisor in October 2008 (after the commencement of our audit).

Employee Arrival and Departure Record

CO 92 requires employees on compressed work schedules (a.k.a. alternative work schedule or AWS) to submit a written record of arrival and departure times on Form FMC-109 at the end of each pay period. The form is to be certified by the employee before it is submitted to the timekeeper. Employees working a "regular" work schedule (eight hours per day) are also encouraged to use the form to document hours worked and leave used. When signed by the employee, it provides an audit trail which can be used to validate the accuracy of the T&A.

Only one of four employees whose time records we reviewed participated in the AWS program. This employee did not post his daily arrival and departure times, as required. Although not required to, the remaining three employees also did not use Form FMC-109 to record their daily arrival and departures. Notwithstanding its redundancy with leave requests forms, Form FMC-109 helps to eliminate errors and omissions by employees as it encourages daily upkeep when knowledge of leave used is fresh in the employee's mind.

Recommendation 2. We recommend the BOE supervisors enforce CO 92 and require all staff on AWS to record its daily arrivals and departures on Form FMC-109. We also recommend that BOE consider requiring all staff to submit biweekly leave and attendance hours to the timekeeper on Form FMC-109.

Finding 3. Leave Slips were not Routinely Used to Request Leave or Completed in Accordance with OPM and FMC Regulations

The Federal Government requires employees to request annual and sick leave, compensatory time off, leave without pay, family and medical leave, and other paid absences, on OPM Form 71, *Request for Leave or Approved Absence*. These requests are initiated by the employee and approved (or disapproved) by the employee's supervisor and, except in extenuating circumstances, are to be submitted in advance of leave used. The form is given to the timekeeper (i) to validate that leave taken in a given pay period was approved and (ii) to identify the number of leave hours used in the pay period for entry into STAR.

The GAO Standards for Internal Control state that all transactions and other significant events are to be clearly documented and the documentation should be readily available for examination.

We reviewed leave request forms for the four employees in our sample for each pay period in 2007 (26 pay periods). Specifically, we reviewed whether leave (i) was requested in advance using required leave request forms, (ii) reconciled to the STAR reports, and (iii) complied with agency policies on collection of PII.

Approved Leave Not Charged

According to CO 64, *management is responsible for scheduling and approving leave, ensuring absences are documented according to regulation*. OPM Form 71, *Request for Leave or Approved Absence* serves as an important control over time and attendance abuse. It documents the employee leave request(s) and supervisory approval, and is the source document for leave entered into STAR by timekeepers. As agency timekeepers record time and attendance data for several employees, it is difficult, if not impossible, for timekeepers to remember each hour of leave used by every employee in the office. In BOE, one timekeeper is responsible for entering T&A information for seven employees. Further it is often difficult for staff to recall small increments of leave without the use of documentation.

The documentation practices used by two of four employees in our sample raised serious concerns about the accuracy of leave entered into STAR. We noted several discrepancies between payroll documentation and the STAR entries. Specifically, the number of leave hours requested and approved did not always match leave entered by the alternate timekeeper for herself and one other employee.

The OIG identified nine leave slips that exhibited discrepancies with the STAR reports for the same pay period, as illustrated below:

Table 1. Leave Discrepancies

Pay Period	Alternate Timekeeper/ Employee	Leave Type	Leave Approved	Leave Charged
4	Employee	Annual	12	20
9	Alternate	Sick	18	16
13	Alternate	Annual	9	8
14	Alternate	Annual	1	0
16	Alternate	Sick	8	16
18	Employee	Annual	16	0
18	Alternate	Sick	9	8
19	Employee	Sick	3	0
20	Employee	Sick	8	0

In all but two instances the amount of leave approved by the supervisor was greater than the leave entered into STAR. Due to the absence of compensating controls (see below), the OIG could not determine whether (i) the employees used less leave than requested, (ii) the timekeeper incorrectly (and unintentionally) entered T&A information into STAR, or (iii) the timekeeper intentionally entered less leave than used.

We also noted that the alternate timekeeper works an AWS schedule: eight-nine hour days, one 8 hour day and one day off in a pay period. We found that the alternate timekeeper was approved consecutive days of sick leave for 18 hours (two 9-hour days), however; only 16 hours (two 8-hour days) of sick leave were recorded in STAR. This recordation (16 hours) was inconsistent with her nine-hour work schedule. It could also be an indication that the timekeeper is intentionally under-reporting leave.

Similarly, we note that in two instances, more leave was entered in STAR than requested. If additional leave was taken, a new leave slip should be submitted or changes should be initialed by the employee on the approved leave slip. This process assists the timekeeper with reconciling leave slips with time charged in the STAR.

Missing Leave Slips for Leave Used

Adding to our concerns regarding the discrepancies between the leave slips and the STAR reports were missing leave slips. The OIG identified 11 instances, totaling 265 hours of leave, where no documentation was provided for leave used. We could not determine whether the employee was approved for leave taken or whether the amount of leave entered in the system reconciled to the leave used. Leave taken without prior approval can result in absence without leave (AWOL). CO 64 defines AWOL as a non-pay status resulting from a supervisor's decision that no leave will be authorized for an absence that was not approved in advance.

The Standard Form 71, *Request for Leave or Approved Absence*, was provided to federal employees through OPM in December 1997 until OPM re-issued an updated OPM Form 71 in June 2001. The revised OPM Form 71 requires an employee who requests sick leave to indicate the purpose for the leave, when applicable. The purposes are (i) *illness/injury/incapacitation of requesting employee* and (ii) *care of family member with a serious health condition*. These additional purposes are used to provide the supervisor with more information relating to the use of sick leave. OPM requires that all leave requests be made on the revised OPM Form 71.

Three of the four BOE employees used the discontinued version of the form on numerous occasions even though the updated form is provided to FMC employees on the intranet and as an appendix in the SOP for timekeepers. In total, we identified 76 requests for leave on the discontinued leave slip, compared to 21 requests on the revised form. We also noted that BOE timekeepers used the discontinued form on 54 percent of the leave slips we reviewed.

Social Security Numbers on Leave Slips

The social security number (SSN) is a unique identifier issued to U.S. citizens, permanent and temporary residents. But, with growing instances of identity theft and the need to protect personally identifiable information (PII), the collection of SSNs for routine uses has been questioned. PII is defined as any piece of information which can potentially be used to uniquely identify, contact, or locate a single person.

In September 2006, the agency issued guidance to staff regarding the use of PII. The guidance stated that the SSN was no longer required on leave requests and other agency-used forms. Further, the agency disabled the SSN field on the electronic leave request form. Notwithstanding the OIG identified SSN usage on one BOE employee's leave slip. In 2007, the employee requested leave on 18 leave slips approved by his supervisor. The employee entered his SSN on 7 of the 18 leave slips (38 percent).

Recommendation 3. We recommend that BOE supervisors require that all staff-leave requests, including changes to approved leave requests, be made on OPM Form 71. Further, timekeepers should remind employees of agency policy regarding the use of SSN's on leave request forms.

Extended Sick Leave

Federal employees annually accumulate 104 hours of sick leave regardless of the number of years of service with the federal government. The Code of Federal Regulations (CFR) 630.401 states that sick leave is granted when an employee (1) receives medical, dental, or optical examination or treatment; (2) is incapacitated for the performance of duties by physical or mental illness, injury, pregnancy, or childbirth; (3) provides care for a family member who is incapacitated by a medical or mental condition, etc.; (4) makes arrangements necessitated by the death of a family member or attends the funeral of a family member; (5) jeopardizes the health of others by his or her presence on the job because of exposure to a communicable diseases; or (6) requires absence from duty for purposes relating to the adoption of a child.

5 CFR 630.403 states that an agency may grant sick leave only when supported by administratively acceptable evidence. The agency may require a medical certificate or other administratively acceptable evidence identifying the reason for an absence for any of the purposes described above when the absence exceeds three workdays, or for a lesser period when determined necessary. The agency's CO 64 states that when absence due to illness exceeds three consecutive work days, it must be supported by a medical certificate provided to the employee's supervisor or a statement signed by the employee explaining why he or she did not see a health care provider.

Our review of the four employee's sick leave usage identified one employee that used 80 and 42 hours of sick leave in pay periods 10 and 18, respectively, without a medical certificate or an approved OPM Form 71.

Recommendation 4. We recommend the employee obtain supporting documents (medical certificates) for more than three consecutive work days for the sick leave charged.

Finding 4. BOE has not Performed Required Leave Audits

The OIG performed a leave audit for the four employees in our sample using balances carried over from the last pay period in calendar year (CY) 2006, leave slips and hours charged on STAR.³ Two employee leave balances reconciled. However, the remaining two employee (alternate timekeeper and staff) leave balances did not reconcile by the end of CY 2007. We found discrepancies in the balances of each employee's annual and sick leave, affecting the opening balances for CY 2008.

³ A leave audit reconciles opening leave balances, leave earnings and usage, with closing leave balances for a predetermined time period.

Table. 2 Leave Audit Results

	Alternate Timekeeper	Employee
Annual Leave – STAR	236	36
Annual Leave – Leave Audit	242	20
Difference	6	(16)
Sick Leave – STAR	110	121
Sick Leave – Leave Audit	108	106
Difference	(2)	(15)

The GAO Standards for Internal Controls states *transactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions.* The CO 64, also states *timekeepers will keep accurate records and supervisors will carefully monitor the use of advance annual leave.* With incorrect leave balances, employees may be using leave that they are not entitled too.

Recommendation 5. We recommend that the timekeepers perform leave audits, reconciling leave slips and STAR reports, to ascertain the correct leave balances for its employees.