

Michelle A. Bednar
County Controller
(570) 825-1629
Michelle.Bednar@luzernecounty.org



Tim McCormack
Deputy Controller
(570) 825-1626
Tim.McCormack@luzernecounty.org

COUNTY of LUZERNE
P E N N S Y L V A N I A
ESTABLISHED 1786
OFFICE OF THE CONTROLLER

***Luzerne County Employee
Separation Pay and
Kronos Administration***

Fieldwork Performed by:

Timothy P. McCormack

Martin G. Moughan

Nancy L. DeFluri

Michelle A. Bednar

Luzerne County Controller

October 29, 2014

Objective and Scope:

The objective of this review is to determine if the payments made to employees at the end of their service to the County were processed accurately and in accordance with the Luzerne County Personnel Policy (LCPP). We also wanted to determine if those non-represented employees who were changed from a 6.5 hour day to a 7.5 hour day and left County service in 2014 were reimbursed fairly and consistently for their prior accrued time.

In order to accomplish our objectives, we printed end of service payment records from the New World countywide financial record keeping system. We also obtained time off accrual records and time and attendance records as found on KRONOS, the Luzerne County Biometric Time Clock System.

During our review, we found adjustments made on KRONOS to employee accrual records inconsistent with the LCPP. This condition made it necessary to expand the scope of our audit to include records of time accrued by active employees.

The Luzerne County Controller's Office strives to objectively and systematically evaluate functions, procedures and activities to ensure that each are executed in the best, most efficient way. Our reviews are tailored to the unique circumstances of each office, and we work with management to ensure accountability and direction.

The Luzerne County Controller's Office is authorized by the Home Rule Charter of Luzerne County (hereinafter referred to as the Charter) Section 3.08 to conduct fiscal, performance, management, contract, grant, compliance and related audits of any County division, bureau, office, agency, board, commission, elective office, The Judiciary, Office of Court Administration or other administrative office. This review is an internal function, authorized by the Charter; therefore, the Controller is required to transmit the review to the Manager of Luzerne County and County Council and post for public inspection in the Controller's Office and on the County website and/or other electronic medium for a period of at least 60 days after it is issued. The Controller will also follow up on any recommendations, to the extent practical, in order to determine if they have been considered and/or implemented.

Auditors assigned to the engagement are employed by Luzerne County under the Controller's Office and report directly to the elected Controller. The audit staff is considered organizationally independent to conduct and report on the audit.

Methodology:

We reviewed and familiarized ourselves with the LCPP dated 1/1/2011 and prevailing Collective Bargaining Agreements (CBA) as they pertained to hours of work and end of service reimbursement policy.

With our expansion of the scope mentioned above, we printed KRONOS detailed accrual statements for active, non-represented employees who converted from a 6.5 hour day to a 7.5 hour day. We did this to determine that their sick and vacation time had been converted to the value of a 7.5 hour day. Example: 65 hours should become

75 hours. In addition, we noted that the hourly rate decreased to reflect the greater amount of hours that employees' are required to work without receiving additional compensation.

We compared New World and KRONOS records for current employees and also those employees whose County service ended in 2014. We did this to confirm that the proper amount of time off was awarded to these employees and that the amount remitted as a final payment was correct.

We believe that the data obtained and used during this audit provides a reasonable basis for our opinion. Our sole focus is to ensure that the entire process follows documented policies and procedures as set forth by applicable laws, the Luzerne County Personnel Policy and the Home Rule Charter.

The Controller's Office noted the following four findings. The findings listed are few in incidence and nonrecurring in nature.

Finding One: Accrued time off amount after year-end adjustment is different from the amount allowed by Luzerne County Personnel Policy.

Department(s): *Human Resources and Budget and Finance*

Criteria:

Luzerne County Employees are required to adhere to the Luzerne County Personnel Policy or the respective Collective Bargaining Agreements with regard to personnel policies affected by accrued time off.

Condition:

We found several occasions where employees were compensated an amount of vacation time inconsistent with Chapter 6.2.A of the Luzerne County Personnel Policy (LCPP).

Non-represented employees whose vacation accrual exceeds 20 days on the first of the year are reduced to the maximum carryover of 20 days in a transaction called "Adjust Carryover Limit." We found one case where a second entry labeled "reset" followed the adjustment which replaced the original balance with a higher number. In this instance, a 150 hour value (7.5 hour day= 20 days) was replaced by a larger number of hours. The larger number is what the employee would've had if the "Adjustment Carryover Limit" didn't take place. The employee resigned a few months later, and the compensation paid for vacation time was for the inflated number of days. Had the reset not occurred, the employee would have been reimbursed for the correct amount of days allowed by the LCPP.

We also found an active non-represented employee whose time off accrual was "reset" to a higher value than allowed by the LCPP. If left as is, sometime in the future the employee will expect to be compensated for this time.

Cause:

Lack of adherence to the Luzerne County Personnel Policy.

Effect:

Payout checks that arise from departure of employment are inconsistently processed.

**Luzerne County Employee Personnel Policy – 1/1/2011
Chapter 6.2.A**

*It is generally expected that employees use their vacation entitlement. **Employees may carry over only an accumulated maximum of twenty (20) days.***

The Controller's Office is aware of what some call an unwritten policy or a grandfather clause regarding the payment of vacation time to employees who predate the LCPP and are, therefore, unaffected by the requirements found in Chapter 6.2.A.

“Past practice” is sometimes mentioned to add to the validity of the process of accumulating vacation time above the LCPP limits. By definition, “past practice” is the application of a proven way to resolve an issue or method of accomplishing a task when written policies or procedures do not address the situation at hand. When policies are defined and implemented, “past practice” no longer applies.

A grandfather clause is not an unwritten rule (one that can be assumed to be understood without saying it). A grandfather clause is an exception that allows an old rule to apply to some existing situations when a new rule doesn't apply to new situations.

The Controller's Office has found that this unwritten policy/grandfather clause is not evenly applied. Employees who do not know about its existence but are otherwise eligible are not included in the process.

At some point, the LCPP should be the prevailing policy which binds all non-represented employees equally. The Controller's Office believes that enough time has already passed, and variance from the directives should no longer be allowed.

Recommendation:

The Controller's Office recommends that non-represented employees be held to the policies of the LCPP dated 1/1/2011, with no exceptions.

Finding Two: No adjustment for current and former employees' accrued time off.

Department(s): *Human Resources and Budget and Finance*

Criteria:

As a result of the change in non-represented work hours, employees' accrued time off should be adjusted from a 6.5 hour day to a 7.5 hour day.

Chapter 6.2.D

The rate for "compensation" or "reimbursement" above shall be at the employee's average base wage/salary rate for the immediately preceding twelve months.

Condition:

Current Employees

- In order to be in compliance with this section of the LCPP, the balance of days accrued prior to 12/31/2013 for every non-represented employee working a 6.5 hour day should have been converted to the same number of days at a 7.5 hour rate.
- We found many instances where current employees' time off earned prior to 12/31/2013 was not converted to 2014 values.

End of service payouts to former Employees

- Our examination showed one employee's time was converted to 2014 values, but the compensation was made at the 2013 rate resulting in an overpayment.
- We found multiple instances where the "conversion" did not take place, and the employee's payout check was cut at the 2014 rate, essentially shorting the employee 15% of her accumulated time earned before 12/31/2013. In these cases, the rate of pay would be adjusted lower while the adjustment for hours didn't take place.

Cause:

Conversion of accrued time not evenly applied to all non-represented employees.

Effect:

Employees' accrual for paid time off is inaccurately reflected. Lack of adjustment for paid time off has reduced employees' days by fifteen percent.

Recommendation:

The Controller's Office recommends that the accrual records of every employee who transitioned from a 6.5 hour day to a 7.5 hour day be reviewed. For those who have yet to have their time converted to reflect the change, the adjustment should be made immediately.

Finding Three: Discrepancies in pay rate for sick time accrual.

Department(s): *Human Resources and Budget and Finance*

Criteria:

There are many different rates of compensation for sick time payments which were negotiated for the payment of unused sick time at the end of County service. Each payout of sick time has to be calculated to be in compliance with the prevailing CBA or the LCPP.

Condition:

We found one employee's reimbursement for sick time which should have awarded a payment of \$50.00 per day for 10 days. Instead, a higher rate was used in error, and the employee was overpaid.

Cause:

Lack of internal controls/oversight.

Effect:

In rare instances, payment for sick time accrued doesn't adhere to the LCPP or the respective Collective Bargaining Agreements.

Recommendation:

The Controller's Office recommends that payments made to those who are separated from County employment be reviewed by the County Manager. Amounts should be checked for compliance with the LCPP and any prevailing Collective Bargaining Agreements.

We recommend that in the future these payouts are made with actual checks and not direct deposit. The check should require two original signatures.

Finding Four: KRONOS continues to accrue time for former employees.

Department(s): *Budget and Finance*

Criteria:

Accrued time off should be discontinued upon employee leaving County service.

Condition:

We found that the KRONOS timekeeping system continues to award vacation and sick time to several employees who have left County service. KRONOS accrual amounts for the total of time accrued and available to employees are inflated and now show as a liability to the County causing these numbers to be skewed.

Cause:

Several former employees are not deactivated from the KRONOS timekeeping system.

Effect:

Including previous employees in accruals for paid time off artificially inflates accrued time.

Recommendation:

The Controller's Office recommends that the administration review KRONOS records for every employee separated from service and remove any accrued time off earned after the employee left County service. In addition, implement measures to ensure the automatic distribution of accrued time to future employees leaving employment be stopped as a part of the exit documentation process.

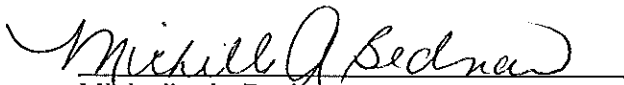
The Controller's Office recommends that all employees whose time is tracked on KRONOS should be furnished with a copy of a detailed KRONOS accrual statement on a quarterly basis.


Please Note:

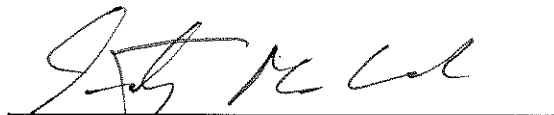
Luzerne County Home Rule Charter: Section 3.08 (C.) 3.


The audited entity shall respond in writing, specifying agreement with the audit findings and/or recommendations or the reasons for disagreement with the findings and/or recommendations, along with any plans and timetable for implementing remedies. The response shall be provided to the Controller within 14 days after the audited entity's receipt of the draft audit. The Controller shall include the audited entity's response in his/her final audit report.

The final audit report shall be transmitted to IT for upload to the county website fourteen days after submission to the County Manager. Fourteen days from today is November 12, 2014.


Michelle A. Bednar
Controller

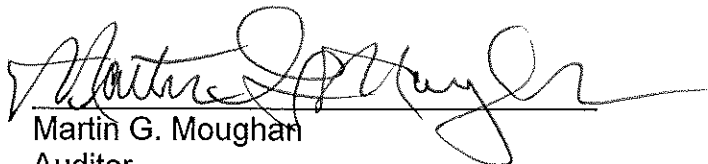

Robert C. Lawton
Luzerne County Manager


Timothy P. McCormack
Deputy Controller


David Parsnik
Administration Division Head


Nancy L. DeFluri
Internal Auditor


Brian Swetz
Budget and Finance Division Head


Martin G. Moughan
Auditor

LUZERNE COUNTY HUMAN RESOURCES RESPONSES TO THE 2014 LUZERNE COUNTY EMPLOYEE
SEPARATION PAY AND KRONOS ADMINISTRATION AUDIT

FINDING ONE:

Luzerne County Human Resources adheres to the Luzerne County Personnel Policy for non-represented County employees and vacation accruals for all separation pay requests.

On February 3, 2012, Vito Deluca, the Chief County Solicitor at the time provided an opinion on the matter of payment to non-represented County employees who ended their County service and accumulated vacation days. This communication provides details of the "grandfather clause" regarding the payment of vacation time to County employees pre-date the Luzerne County Personnel Policy and Chapter 6.2.1.A copy of this memo was provided to the Luzerne County Controllers' Office by Human Resources. A copy of the list of "grandfathered " County employees was also provided to the Controllers' Office by Human Resources. There are a total of eleven (11) County employees remaining on the list.

FINDING TWO:

Luzerne County Human Resources notified the Budget & Finance Department of the new work day hours 6.5 to 7.5 hours and the need for this time to be adjusted in Kronos for time conversion.

FINDING THREE:

Luzerne County Human Resources provides the Budget & Finance Department approved payment schedules for reimbursement of sick, vacation and personal time for all County employees upon separation of County service. In this instance a clerical error in payroll resulted in the overpayment to the County employee.

LUZERNE COUNTY BUDGET AND FINANCE DIVISION RESPONSES TO THE 2014 LUZERNE COUNTY
EMPLOYEE SEPARATION PAY AND KRONOS ADMINISTRATION AUDIT

FINDING TWO:

The Luzerne County Budget and Finance Division concur with the recommendation of the Controller's office. The Division will perform a comprehensive review and take the appropriate steps to remedy this finding.

FINDING THREE:

The Luzerne County Budget and Finance Division concur with the recommendations found in this Finding. The Division will begin implementation of these recommendations.

With regard to the employee discussed in the Condition section of this Finding, an internal review was completed by the Division of Budget and Finance. This review revealed that a keystroke error occurred when entering the final payout for the employee's sick time accrual upon the employee's separation from employment from the County. This error occurred during the time that the Payroll System Coordinator was out on leave and this duty was temporarily filled by the Budget and Finance Analysts until she returned. This error caused an overpayment of \$3,054.93 after proper taxes were withheld to the employee. On November 12, 2014, the employee was contacted by the Office of Law. The employee was unaware of this accounting error and agreed immediately to sign a Repayment Agreement, which includes a right for Luzerne County to file a Confession of Judgment against the employee if total repayment is not completed.

FINDING FOUR:

Luzerne County Budget and Finance Division concurs with the recommendation of the Controller's office. Due to call back provisions in the various collective bargaining agreements, employees who leave County employment cannot be immediately removed from the KRONOS system, however, the Division will take the necessary steps to confirm that these employees do not accrue additional time while they are not employed by the County.

In addition, the Division will implement a policy to purge employees in a time frame in accordance with the collective bargaining agreements.

COUNTY MANAGER
ROBERT C. LAWTON

CHIEF COUNTY SOLICITOR
C. DAVID PHORI, ESQUIRE




COUNTY of LUZERNE
P E N N S Y L V A N I A
E S T A B L I S H E D 1 7 8 6

AGREEMENT

1. John Verbinski was employed by Luzerne County as a mechanic and was represented by AFSCME.
2. Mr. Verbinski left county employment in March of 2014. Per Luzerne County Personnel Policy and the AFSCME Collective Bargaining Agreement, Mr. Verbinski was entitled to payment of \$50 per day for unused sick days.
3. At the time of his separation of employment, Mr. Verbinski had accumulated 10 unused sick days.
4. Due to a keystroke error in the calculation of unused sick days, Luzerne County incorrectly provided payment to Mr. Verbinski at \$500 per day as opposed to \$50 per day.
5. Mr. Verbinski received a check for \$5,026.85 on or about April 18, 2014. After proper taxes were withheld, this was an over payment of \$3,054.93 to Mr. Verbinski.
6. Mr. Verbinski was unaware of any accounting error.
7. Mr. Verbinski, was notified on November 12, 2014 of this accounting error, and immediately agreed to repay the County for this error.
8. Mr. Verbinski shall pay \$1,854.93 on or before December 15, 2014. The remainder of this balance will be paid in full on or before December 15, 2015 and shall be completed via monthly \$100 payments, due on the 15th of each month.
9. Mr. Verbinski agrees that should he fail to abide by the terms of this Agreement, Luzerne County has the right to file a Confession of Judgment against him for the remaining unpaid balance where the County will also seek interest and attorney's fees.

WHEREFORE, Mr. John Verbinski does hereby agree to the above terms.



JOHN VERBINSKI

DATE: 11-17-14

Courthouse • 200 North River Street • Wilkes-Barre, Pennsylvania 18711
voice 570.825.1500 fax 570.825.1802 tdd 570.825.1860