



# Follow-up Report

## Vacation and Sick Leave #2324-7

(Internal Audit report #2122-17 issued December 2022)

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## 1. Introduction

### Audit Authority

The Deschutes County Audit Committee has suggested that follow-ups occur within nine months of the report. The Audit Committee would like to make sure departments satisfactorily address recommendations.

### Background on Department and Original Audit

The focus of the review was on analysis of vacation and sick leave information contained within the NOVAtime (timesheet) and Munis (accounting/ human resources) systems. Computerized procedures can be used to extract employee timesheet information and relevant employee data from County systems. This allows the linkage of leave information and employee information, such as identifying employee leave balances with length of County service. Limitations within NOVAtime system reporting prevented analysis of data prior to Fiscal Year 2021-2022.

Overall, the County's internal and management controls over the employee leave operation are effective and working as intended.

The audit identified the following areas for further improvement, including:

- The NOVAtime system allows for leave adjustments to create negative balances.
- Data could be used more effectively for decision-making.
- Differences exist between NOVAtime and Munis database information.
- Vacation and sick leave balances for separated employees are a potential risk.
- Vacation and sick leave maximum balances are inconsistently enforced.
- Employees are not using sufficient vacation leave as directed by policy.
- County policy for leave accrual timing is not in conformance with Oregon law.

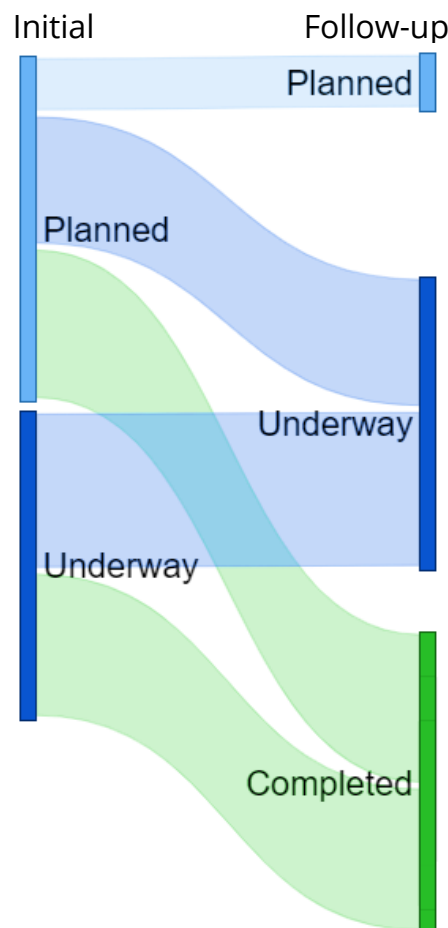
- County policy and CBAs need to be updated to match current practice for maximum vacation and sick leave timing.
- Cash out election provisions of time management leave may accelerate employee taxable income.

A number of other analyses were performed but did not yield any recommendations.

## 2. Follow-up Results

The follow-up included ten outstanding recommendations agreed to by County Human Resources and Finance Departments, as well as County Administration. **Figure I** provides an overview of the implementation status of the recommendations. The details of the follow-up are included at the end of the report in **Appendix A**. In interpreting the status, Internal Audit may sometimes raise or lower the status provided by the department based on communication received from the department.

**Figure I -**  
How were  
recommendations  
implemented?



With this follow-up, fifty percent (50%) of the outstanding recommendations have been fully addressed. As indicated in the provided responses, many of the policy recommendations are underway and generally take the longest to complete.

**3. Appendix A: Updated workplan (status as of October 2023)**

| Recommendation  | Status           | Date Completed    | Updated comments   |
|---|------------------|-------------------|--|
| <p>It is recommended the NOVAtime system be configured to not allow for negative balance adjustments or alternative methods should be explored.</p> | <p>Completed</p> | <p>October-23</p> | <p><b>Finance</b> – We have already implemented enhanced review and monitoring of timesheets and final paycheck calculations. Since PTO is provided before earned and the practice has been to allow employees to use the full balance before prorations, until a policy change is implemented to eliminate negative balances, Finance will defer additional consideration of alternative methods related to negative balances.</p> <p><b>Auditor</b>- Finance has initiated an enhanced review process to mitigate the risk of negative leave balances for employees. Although some employees might be advanced leave they do not have, Finance accepts this risk and the recommendation is completed to the fullest extent possible.</p> |

| Recommendation  | Status           | Date Completed   | Updated comments   |
|---|------------------|------------------|--|
| <p>It is recommended the County explore the cost-benefit of additional NOVAtime data reporting services.</p>                                  | <p>Completed</p> | <p>August-23</p> | <p><b>Finance</b> - In April 2023, phase one of the Pay Period Alignment Project was completed. Since that time, Finance, Human Resources and Technology Services explored the cost-benefit of additional data reporting services and enhancements within NOVAtime. Given the limitations of the software, and the desire of the County to implement Phase 2 of the Payroll Alignment Project (paying payroll by actual hours worked, not average hours), we concluded it would not be beneficial nor cost effective to make major customizations to the software to meet the County's unique pay methods. Instead, we should change to actual hours worked first, and then research new software options to include the required data reporting services.</p> |
| <p>It is recommended the County continue to explore solutions to transition test employee accounts outside of the production environment.</p> | <p>Completed</p> | <p>June-23</p>   | <p><b>Finance</b> - The current version of the software limits the functionality related to testing employee accounts. Payroll has inquired with the vendor and solicited alternative methods of testing outside of the production environment. No alternatives are offered at this time. However, Payroll will continue to check with the vendor semi-annually to verify if they offer a test environment.</p>  |

| Recommendation  | Status    | Date Completed | Updated comments   |
|---|-----------|----------------|--|
| It is recommended Payroll develop a system to ensure NOVAtime and Munis employee information are in sync and correct.   | Completed | September-23   | <b>Finance</b> - A system has been developed and a plan established to complete semi-annually going forward. Next review planned for March 2024.   |
| It is recommended Payroll eliminate retained balances from all separated employees and continue to work with the vendor on a solution to discontinue system generated leave time for separated employees. | Completed | June-23        | <b>Finance</b> - Off-cycle payroll review already includes a secondary review of TML balances being cleared out. It is a system issue that TML system accruals randomly reappear. Payroll continues to work with NOVAtime to find a solution. Payroll will continue to check with the vendor for a solution to this system issue on a semi-annual basis. |
| It is recommended Human Resources and Payroll establish secondary review processes for employee leave balance limit calculations and adjustments.   | Planned   | June-24        | <b>Finance</b> - Given the Pay Period Alignment Project and the Tyler/Munis Upgrade Project, this item was deferred until June 2024.   |

| Recommendation   | Status                 | Date Completed | Updated comments   |
|--|------------------------|----------------|--|
| <p>It is recommended the County develop a process to support supervisors in monitoring employees' use of vacation leave in compliance with policy.</p> | <p><b>Underway</b></p> | <p>June-24</p> | <p><b>HR-</b> The County has a policy covering expectations for employee's use of vacation leave. It is a supervisor's responsibility to hold their employees accountable to all policies, including this one. Human Resources will update the attendance expectations in the employee performance evaluation form to include this review. This will prompt supervisors to review all aspects of an employee's attendance and use of leave with respect to County policies. The performance evaluation update is still in process.</p> |
| <p>It is recommended the County revise leave policy HR-16 to be in conformance with State law.</p>   | <p><b>Underway</b></p> | <p>June-24</p> | <p><b>HR-</b> We have drafted an Oregon Paid Sick Time (OPST) Policy which will be ready for consideration soon. Additionally, HR will update HR-16 to comply with the OPST law and will present for consideration in coordination with the OPST policy.</p>   |
| <p>It is recommended the County update policy and CBA contract language to align with practice.</p>  | <p><b>Underway</b></p> | <p>June-24</p> | <p><b>HR-</b> HR will engage with unions, as each CBA is bargained, to align CBA language with practice. This policy is in draft and underway.</p>   |
| <p>It is recommended for the County to consider adjustments to the leave cash out policies to further address constructive receipt.</p>                | <p><b>Underway</b></p> | <p>June-24</p> | <p><b>HR-</b> HR will engage with unions, as each CBA is bargained, to align CBA language with practice. This policy is in draft and underway.</p>   |



## 4. Appendix B: Objective, Scope, and Methodology

### Objective and Scope



*“Audit objectives”  
define the goals of  
the audit.*

Objective:

The objective was to follow up on recommendations from the original audit.

Scope and timing:

The follow-up included ten recommendations from the internal audit report for [Vacation and Sick Leave #21/22-17](#) issued in December 2022. The original internal audit report should be referenced for the full text of the recommendations and associated discussion. The follow-up reflects the status as of October 2023.

### Methodology

The follow-up report was developed from information provided by Robert Tintle, Chief Financial Officer, and Kathleen Hinman, Human Resources Director. Follow-ups are, by nature, subjective. In determining the status of recommendations that were followed up, we relied on assertions provided by those involved and did not attempt to independently verify those assertions. The updates received were included in **Appendix A**.

Since no substantive audit work was performed, Government Auditing Standards issued by the Comptroller General of the United States were not followed.

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