Auditor's Summary

Audit of the Hawai'i State Hospital's Implementation of the Hawai'i Information Portal

Report No. 24-02

THE STATE'S NEW ELECTRONIC PAYROLL AND TIME AND LEAVE SYSTEM, accessed through the Hawai'i Information Portal (HIP), is premised on employees' entering time they work outside of regular hours, such as overtime, as well as requests for paid and unpaid leave. In addition, HIP features a dashboard that allows State of Hawai'i personnel to view and manage their payroll and leave information. Employees may also input adjustments to their payable time as well as leave requests, subject to supervisor approval.

To facilitate the State's transition to HIP, the State of Hawai'i Office of Enterprise Technology Services (ETS), which shepherded the system's development and implementation, published the *HIP – Time & Leave Standard Operating Policies and Procedures* (SOPPs), among other efforts to provide instruction and guidance to employees and supervisors. The SOPPs include processes for employees' use of HIP that start with timely self-entry of hours worked and leave requests, and are expressly intended to ensure (1) employees receive compensation based on hours worked; (2) departments' operations with respect to submitting time and leave into HIP are efficient; and (3) payroll is calculated accurately.

> The hospital did not have confidence that its employees, which include both regular hourly employees and shift workers, could and/or would accurately input their own pay exceptions and leave requests.

The Hawai‘i State Hospital (the hospital) transitioned to HIP in August of 2021. In its preparation for that transition, the hospital decided that the SOPPs – most significantly, the employee self-entry of payable time and leave requests as well as the supervisor review and approval of both – could not be successfully implemented with its staff. Specifically, the hospital did not have confidence that its employees could accurately input their own payable time and leave requests. The hospital was also concerned that supervisors would not provide a thorough and meaningful review of pay and leave requests, which is one of the important controls (or checks) contemplated in the SOPPs.

What we found

Instead of following HIP's SOPPs, the hospital created its own process, which requires as many as 11 employees to input every hospital employee's adjustments to base pay for each day the employee works as well as most employees' leave requests. The process requires handwritten daily rosters to be manually transcribed into a Microsoft Excel spreadsheet before being entered into HIP, and because the hospital's process prioritizes the inputting of payable time, employee leave may not be inputted timely.

HIP relies on the timely entry of time and leave to ensure that employees' pay is accurately calculated. Delays in entering either may result in incorrect paychecks. This is especially the case with employees who have little or no accrued leave balances. Those employees may be paid for time when they are on leave that should be unpaid. The hospital struggles to recover these types of overpayments.

In addition, the hospital's modified system is highly dependent – perhaps, entirely dependent – on the accuracy of those inputting every employee's time and leave. That type of unfettered confidence in the group of clerical employees may increase the risk of overpayments and underpayments to employees.

We also found that the hospital's process minimizes the role of supervisor oversight that ETS intended would serve as a "control" or safeguard to ensure the accuracy of entries. Furthermore, the hospital made this fundamental alteration without designing alternative controls or other types of checks to mitigate the increased risk of data entry errors or fraud. The hospital's modified process has also created a high-stress environment that we were told is contributing to staff turnover.

Why do these problems occur?

The hospital did not have confidence that its employees, which include both regular hourly employees and shift workers, could and/or would accurately input their own pay exceptions and leave requests. Employee involvement, particularly the timely self-entry of time and leave, is the centerpiece of the HIP payroll and leave system. Employees and their supervisors are intended to have fundamental roles and responsibilities from which time

and leave processes flow. For instance, employee-submitted time requests in HIP are automatically routed to a supervisor for review and approval; the system is programmed to identify unusual transactions that might require correction or need closer review, which supervisors must clear. In addition, employees must forecast their accrued leave balances to ensure they have sufficient leave before they can submit requests for time off; and HIP requires certain queries (mandatory audits) be run at specified frequencies. Despite these safeguards (both programmed and procedural) built into HIP and its SOPPs to ensure the correct entry of time and leave, the hospital's Human Resources (HR) unit was concerned that the system would not detect employee-inputted errors. HR had been heavily involved in the manual processing of payroll paperwork before HIP and was familiar with the numerous time and leave reporting discrepancies observed in the past. However, these concerns appear to be largely about the capabilities – and the integrity – of staff and not concerns about HIP or the SOPPs. HR was also concerned about employees' understanding of the adjustments to base pay in their respective bargaining unit contracts and applying those adjustments to their payable time in HIP.

Why do these problems matter?

In the hospital's modified application of HIP, data-entry staff enter time and leave requests on employees' behalf. To do so, staff perform a series of manual processes, which include everyday calls to verify time and attendance and transcribing daily rosters into a Microsoft Excel spreadsheet, which in turn is manually entered into the HIP system. Instead of streamlining payroll processes by providing greater functionality and efficiency, the hospital's version of HIP has had the opposite effect.

In addition, data-entry staff now have considerably more payroll processing responsibilities. Missing are the oversight functions originally designed in the SOPPs. The data-entry staff are generally aware of these duties and that some are mandatory. When they do perform them, they are generally done on an ad hoc basis and at the discretion of the individual data-entry staff. In addition, because they are now responsible for the input and review of information as well as the correction of discrepancies, staff tasked with entering time and leave for employees are not in the position to provide oversight of their own activities, even if they have the awareness or the inclination to do so.

It does not appear that the hospital thoroughly assessed safeguards developed by ETS in its SOPPs to address concerns regarding an employee's ability to self-enter time and leave accurately, but it is clear that the hospital did not develop controls of its own to replace them or to otherwise ensure the accuracy of the time and leave entered by its HR data-entry staff.

As previously noted, since implementing HIP, as many as 11 hospital employees have been assigned data-entry responsibilities in addition to

their regular duties, including unit clerks and section secretaries who would not normally perform human resources functions. According to the HR Specialist, who supervised data-entry staff, approximately 60 percent of their time is devoted to time and leave entry into HIP, which might require overtime depending on the length of the pay period; a pay period shortened by a holiday guarantees data-entry staff will accrue overtime to catch up. The HR Specialist could not give us an estimate of how many hours of overtime are needed to complete the payroll process.

According to HR staff, data entry of time is "chaotic" for unit clerks tasked with tracking 24-hour attendance on the daily roster. And according to the HR Specialist, the HIP-related duties contributed to the departure of two employees specifically hired to enter employee time and leave into the system. Without policies and procedures or any type of organizational infrastructure in place, the long-term – even short-term – sustainability of the current system is doubtful.