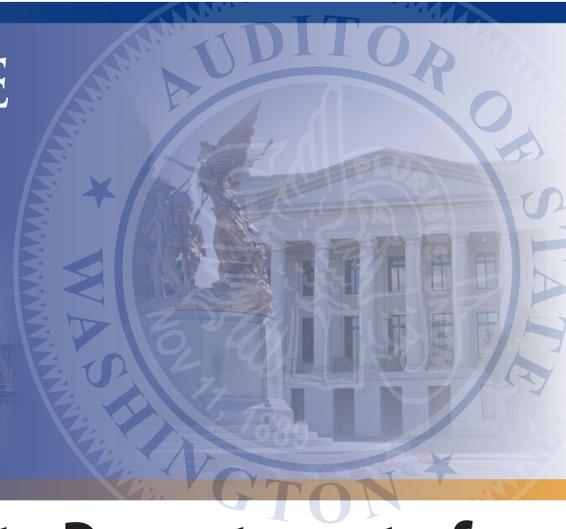


STATE AUDITOR'S OFFICE PERFORMANCE REPORT



Washington State Department of Transportation Ferries Division

September 8, 2010



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



Washington State Auditor Brian Sonntag

September 8, 2010

The Honorable Christine O. Gregoire
Governor of Washington
P.O. Box 40002
Olympia WA 98504-0002

Dear Governor Gregoire:

In March, you asked our Office to consider conducting a performance audit of the state Ferries Division's payroll and timekeeping system.

In 2007, we conducted two performance audits that included evaluations of the ferry system payroll and timekeeping processes. In response to your request, we focused on whether another audit would identify additional cost-saving opportunities or operational improvements.

The attached report provides details on the following conclusions:

- The Department of Transportation and the Ferries Division have responded to all but one of the recommendations from our 2007 performance audits. The agency will need additional funding for the final – and most critical – recommendation that it obtain a new timekeeping and payroll processing system.
- As we reported in 2007, the current system does not effectively support timely and accurate timekeeping and payroll processing, compliance with collective bargaining agreements or data-based management decision-making.
- The Department must address several barriers to improve their payroll and time-keeping issues, including the incompatibility of data systems; multiple and competing requirements of collective bargaining agreements with ferry workers' unions; the lack of funding for a new system; and the absence of robust performance management and reporting.
- We do not believe another performance audit on these subjects would be an effective use of taxpayer dollars at this time. However, we may consider conducting another evaluation once the Department has a new system in place.

Thank you for the opportunity to contribute to the state's efforts to improve the efficiency and effectiveness of the ferry system. Please contact me if you have questions or would like additional information about any of the issues addressed in the report.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

INTRODUCTION

In March 2010, the Governor asked the State Auditor's Office to consider conducting a performance audit of the timekeeping and payroll processing system in the Ferries Division of the Washington State Department of Transportation. A copy of the Governor's request appears in Appendix A. In it, she asked the Auditor's Office to:

1. Evaluate the Department's implementation of the Auditor's Office's past performance audit recommendations on timekeeping and payroll processing for the Ferries Division and any additional actions they have taken to improve that system.
2. Evaluate the adequacy of WSDOT and statewide systems used to accomplish timely and accurate timekeeping and payroll processing, the ability of these systems to support compliance with collective bargaining agreements, and the ability to support data-driven decision-making for the Ferries Division workforce. The Governor asked that the review include the WSDOT's Marine Labor System and Integrated Dispatch System, and the Department of Personnel's Human Resource Management System.
3. Identify and evaluate obstacles and opportunities to improve timekeeping and payroll processing to support effective and efficient operations and workforce management.

What We Found

1. WSDOT and the Ferries Division have responded to all but one of the previous recommendations in the State Auditor's Office performance reports related to timekeeping and payroll processing. For the final recommendation, the agency will need additional funding to implement a new timekeeping and payroll processing system.
2. We concur with the conclusion that the Ferries Division's timekeeping and payroll processing systems are inadequate, as described in a 2009 feasibility study by the Office of Financial Management, WSDOT, and the departments of Natural Resources, Personnel and Information Services. Current systems do not support compliance with collective bargaining agreements, nor do they support efficient, data-driven decision making. As we have reported in previous performance audits, the systems should be replaced.
3. We identified several obstacles to effective timekeeping and payroll processing, including systems compatibility issues, a complex operating environment with multiple collective bargaining agreements, the lack of funding for a new system, and the absence of robust performance management and reporting.
4. We do not plan to undertake another performance audit on the timekeeping and payroll processes of the Ferries Division until a new system is in place.

Background

The ferry system became part of state government in 1951. It is the largest ferry system in the nation and the fourth largest in the world (as measured by ridership). Since 1977, the system has been part of WSDOT, and its \$427.5M budget (2009-2011 with 2010 supplemental) accounts for approximately 30 percent of the Department's operating budget.

The ferry system is an integral part of the state's transportation network. Ferry routes are considered marine highways, and the Ferries Division is an important transportation service provider. The safety of passengers and staff is the system's highest operational priority. Currently, the ferry system:

- Transports nearly 23 million riders and 10 million vehicles per year.
- Completes nearly 500 trips on nine routes in Puget Sound every day.
- Maintains a fleet of 21 vessels, including one leased vessel.
- Operates 20 terminals.

The Legislature has authorized the ferry system to employ the equivalent of 1,647 full-time workers to provide service. A large number of these are part-time employees who work on-call due to the system's unique scheduling and location needs. As a result, the system's "headcount" employment is 1,810. An employee's shift can range from eight to 10 hours, depending on the terms of the contract under which he or she was hired. The Ferries Division manages the hours worked by its personnel to remain within the authorized level. Ferries uses several aging information systems to help managers establish employees' work schedules and collect and distribute their pay.

ISSUE NO. 1

Evaluate WSDOT’s implementation of the Auditor’s Office’s past performance audit recommendations on timekeeping and payroll processing for the Ferries Division and any additional actions taken to improve the system.

Most previous audit recommendations implemented

The State Auditor’s Office hired Sterling Associates to independently review the actions taken by WSDOT and the Ferries Division on recommendations from previous performance audits. The review focused on audit recommendations that related specifically to the Governor’s request. We determined the Ferries Division has addressed all recommendations from previous performance audits related to payroll processing and timekeeping except for a recommendation that it implement a new timekeeping and payroll system.

The review covered the results of two performance audits: The Washington State Ferries Performance Audit, released in September 2007, and the Washington State Department of Transportation Overhead and Administration Performance Audit, released in November 2007. These audits were conducted under contract with the State Auditor by Ernst & Young, LLP. The table below summarizes the relevant findings and recommendations from our previous audits, responses by WSDOT, and the current status.

Previous Performance Audit Recommendations and Current Status

Performance Audit of Washington State Ferries, 2007			
Findings	Recommendations	Actions Taken	Status
Timekeeping at Eagle Harbor Needs Standardization. The timekeeping process at Eagle Harbor is a manual, labor-intensive, non-standardized, and inefficient process	Standardize timekeeping procedures	Ferries has standardized and documented its timekeeping procedures and processes	Complete
	Eliminate dual entry of time card data at Eagle Harbor	Ferries eliminated dual entry of time card data at Eagle Harbor	Complete

Performance Audit of Washington State Ferries, 2007			
Findings	Recommendations	Actions Taken	Status
Payroll and time-keeping improvements needed. Opportunities exist to improve the current manual, labor-intensive payroll and time-keeping functions and related management controls	(a) Develop and implementation of a new labor distribution system that would allow electronic time entry and approval	OFM, WSDOT and other agencies collaborated on a feasibility study in 2009 that identified additional problems with the current system and described the requirements for a new time, leave and labor distribution system that could be used by WSDOT and other agencies. Funding for the system has not been obtained	Seeking funding. The feasibility study is complete. Activity will resume if funding is secured for a new system
	(b) Pay employees 26 times per year instead of the current semi-monthly approach	After reviewing this recommendation, OFM decided to maintain the current semi-monthly system used for other state employees	Complete
Align Ferries Division practices and policies with those of the entire agency. Overall agency performance can be improved if the Ferries Division were fully integrated	WSDOT develop “One-DOT” practices and implement consistent policies, procedures, systems and practices for all agency programs	WSDOT has taken several actions to improve overall operations by aligning and integrating Ferries with the rest of the agency	Complete

Note: Additional detail about WSDOT’s responses to previous audits is provided in Appendix B: Detailed Review of Previous Performance Audits.

WSDOT has taken steps to improve timekeeping and payroll systems

WSDOT and the Ferries Division have taken additional steps to improve their timekeeping and payroll processes:

- Previously, paper timesheets were sent to the payroll office for processing. The agency recently began using a new program in which timesheets are scanned in the field and transmitted electronically to the Payroll Office. Employees still must manually fill in the timesheets and Payroll Office employees must manually enter information. Having the timesheets available electronically allows access to the file simultaneously, which reduces overall processing time. During our review, six of the seven employee groups within Ferries were using this new submittal process. WSDOT has reported that since our review, the largest group of employees, the vessel deck workers, have begun using it as well.
- WSDOT consolidated the Ferries Division Payroll Office, previously located in the division headquarters in Seattle, with the agency's central Payroll Office in Olympia. Ferries payroll staff and supervisors now report to the WSDOT payroll manager, and functions formerly performed by the Ferries Payroll Office have been transferred with the staff to Olympia. To reflect this efficiency, the number of Ferries payroll staff was reduced and the Ferries Payroll Office budget was cut by 30 percent in fiscal year 2010.

The State Auditor's Office has independently verified that WSDOT and the Ferries Division have responded to the recommendations set forth in our previous performance audits. They have not implemented the recommendation to replace its timekeeping and payroll processing system because funding has not been available.

ISSUE NO. 2

Evaluate the adequacy of the WSDOT and statewide systems used to accomplish timely and accurate timekeeping and payroll processing, the ability of these systems to support compliance with collective bargaining agreements, and the ability to support data-driven decision making for the Ferries Division workforce.

Review confirms earlier findings that Ferries Division systems are inadequate

As stated in previous performance audits, the timekeeping and payroll processing system at the Ferries Division does not support effective operations and management. Our independent 2010 evaluation confirms the current approach does not support timely and accurate timekeeping and payroll processing, compliance with collective bargaining agreements and data-based decision-making.

The lack of an effective timekeeping and payroll management data system and the Division's reliance on paper timesheets create substantial inefficiencies and significantly increase the likelihood of errors.

Multiple data systems are required to process payroll

The Ferries Division uses several labor distribution and scheduling systems to support the payroll process and to generate data for other accounting and human resources management systems. These systems capture hours worked, distribute labor costs to job or project codes, and record financial information. They include:

- The Marine Labor System, which collects and stores timesheet summaries for most Ferries Division employees, including maintenance, vessel and warehouse personnel.
- The Labor Distribution System, which collects and stores timesheet data for the remainder of Ferries employees.
- The Transportation Accounting and Reporting System (TRAINS), which is WSDOT's agency-wide financial management system.
- The Automated Scheduling System, which maintains detailed vessel, route, and employee schedules for the ferries fleet.

The Department of Personnel(DOP) administers two additional systems, the Human Resource Management System to produce the twice-monthly payroll, and PayOne to track employee benefits for all WSDOT employees.

DOP sets payroll cutoff dates for all agencies to ensure the system can generate two preliminary payroll runs before the final semi-monthly payroll is processed. Agencies have the opportunity to review the preliminary payroll runs to identify needed revisions.

Many ferry employees must submit several timesheets per pay period

The system in place during our review still required the collection of paper timesheets for deck workers in the payroll office at Ferries Division headquarters in Seattle. The Office processes about 3,000 timesheets for the 1,810 workers each pay period. Part-time, relief and on-call employees must submit multiple timesheets if they work in more than one location.

If the payroll cutoff date set by DOP occurs before the end of the pay period, Ferries employees must submit two timesheets. At least a day before the cutoff date, they submit one timesheet for the majority of the pay period to allow time for Payroll Office staff to review and process about 90 percent of the division's payroll data. Then, on the final day of the pay period, they submit a second timesheet for the last day or two.

Ferries Division managers said two timesheets are required to give Payroll Office personnel time to review and approve timesheets and make sure they are entered into the payroll system before the cutoff date. They said if the Payroll Office received only one timesheet, the staff would not be able to meet the DOP deadline.

Ferries operates seven separate timekeeping processes

Payroll processing for ferry system employees is more complex than for most state employees and requires a significant level of detail about how time is being spent. However, the Ferries Division's data management system lacks the capacity to maintain all the information submitted by employees. As a result, the Division is forced to manually pull information from archived timesheets when conducting human resources analyses and to ensure it complies with collective bargaining agreements.

Ferries employees are covered by 11 bargaining agreements and are categorized into seven work groups. To ensure compliance with the bargaining agreements, Ferries maintains separate timekeeping and payroll records for employees in the following groups:

1. Eagle Harbor
2. Vessel Deck
3. Vessel Engine
4. Warehouse
5. Terminals
6. Seattle Headquarters Merit 1, such as Budget Analyst 3, IT Specialist 2
7. Seattle Headquarters Merit 5, such as Ticket Seller, Master Mate

For each pay period, Ferries Division employees submit paper timesheets containing the following information:

- The fund source or project to which the employee time is to be charged.
- Which of the 30 different job classifications were occupied during each shift.

- How the employee's time was spent based on 23 different pay codes, such as holiday pay, sick leave, overtime, penalty pay, travel pay, military leave, or regular working time.
- Which of the nine routes, 20 terminals and 21 vessels on which the employee worked.
- The time spent on a vessel that was being moved from one location to another if the vessel was not in regular service.
- The precise type of work performed during the shift within 130 different categories. Time must be reported in increments as small as one minute. Employees must further detail work performed in 27 of the 130 categories in a remarks section.

When the timesheets reach the payroll office, they are organized by employee group and processed by staff members who manually enter the compatible information into the Marine Labor System. Employees check timesheets for accuracy, make corrections, answer questions from employees and calculate deductions, overtime, shift differentials, use of leave and leave balances. Payroll personnel must be familiar with the requirements of each of the 11 bargaining agreements to accurately answer questions or correct timesheets.

Payroll personnel contact employees who did not submit timesheets to ensure their pay is accurately reported and paid. When questions arise about hours worked or codes charged, payroll employees must retrieve the timesheets to compare them with data entered into the Marine Labor System. Once all checks have been performed, discrepancies corrected and the payroll processed, timesheets are archived.

Port Captains, Port Engineers, and Terminal Managers must audit some timesheets by hand

Timesheets for the system's approximately 714 vessel deck employees must be audited and signed by a Port Captain before payroll is complete. This step is required because vessel deck employees submit timesheets that are not verified or reviewed on the vessel because they do not have on-site supervisors to approve their timesheets before they are submitted to Payroll.

Because of the large number of timesheets for vessel deck employees, the auditing and signing of timesheets by Port Captains happens at the same time payroll staff are entering information into the Marine Labor System. Staff highlight potential discrepancies for Port Captains to assist them in their audits of employees' timesheets. If corrections are required, the captain must inform the local payroll coordinator to make changes. Port Captains spend a significant amount of time auditing these timesheets.

Port Captains use the master ferries sailing schedule and the Automated Scheduling System to verify information submitted on the timesheets, but they do not receive data from the Marine Labor System. Port Captains were unaware they could request data from the Marine Labor System to identify trends or anomalies to help them make better operational and strategic decisions. The Port Captains timesheet review includes consideration of collective bargaining requirements. This system creates an opportunity for error due to varying interpretations and complexities of bargaining

agreements, the volume of timesheets, time constraints, and lack of readily accessible data.

The Department also stated that each payroll period, Port Engineers and Terminal Managers conduct a similar audit process for each timesheet submitted by engine room or terminal staff, who are covered by different Collective Bargaining Agreements from vessel deck staff.

Current payroll systems do not promote contract compliance or data-based decisions

The current payroll systems do not allow Ferries to set parameters that would alert payroll staff to potential issues with payroll or timekeeping reports for individual employees to ensure compliance with the bargaining agreements. Payroll staff, Port Captains, Port Engineers, and Terminal Managers must be familiar with each of the 11 agreements to know what rules to apply to each of the seven different groups of employees.

As discussed earlier, the Marine Labor System does not capture significant details that are reported on employee timesheets. For example, overtime is reported on timesheets by shift, day, location and the type of work performed, but the system simply shows totals of overtime worked during the pay period. The inability of the system to record and report valuable data requires employees to manually search through timesheets whenever an employee's work history or a specific business question is analyzed. In many cases, assumptions are required to compare data from different systems.

More than 600 hours required to evaluate a recent cost-savings proposal

As a case in point, WSDOT managers demonstrated the difficulty of collecting and analyzing relevant payroll and timekeeping data during our review when they shared a recent analysis of a cost saving proposal. Agency managers said they spent more than 600 staff hours over two months evaluating the proposal. Because they were unable to easily retrieve data from the multiple systems, they spent much of their time:

- Creating a database with the individual data elements.
- Extracting data from payroll systems to populate the database.
- Retrieving data from individual employees' paper timesheets in the archives.
- Analyzing the data to estimate the cost of the proposed change for members of the bargaining unit.

Agency managers said their evaluation showed the union's proposal would increase current spending from about \$818,000 to more than \$1 million. At the same time, the evaluation showed that by implementing a best practice in the marine industry, the Ferries could reduce these costs to about \$46,000. The evaluation concluded that adopting the proposal would be contrary to WSDOT management and public expectations to deliver effective and efficient ferry operations by increasing operational costs. This is an example of potential cost savings opportunities that may be lost due to inadequate management information systems.

The analysis above demonstrates the significant effort that is necessary to extract data from the current timekeeping and labor distribution systems. Analysis of such proposals should be a routine management function supported by updated management information systems and reports. If the timekeeping and payroll system is not replaced, significant system and staff investments will be required to create and maintain a data warehouse to support ongoing analysis in the Ferries Division.

Ferries lacks a robust performance measurement system

WSDOT recently produced its first internal, quarterly "Red Flag" report to identify employees who use large amounts of leave or generate substantial costs for overtime, relief, shift differential or travel. Ferries management stated the red flag report will be refined as additional information is identified to help managers make sound, data driven decisions. While this new report is an excellent example of the type of employee performance information that Port Captains and Ferries management should be reviewing regularly, they lack a comprehensive system of employee focused performance metrics and reports for regular management review.

ISSUE NO. 3

Identify and evaluate obstacles and additional opportunities to improve timekeeping and payroll processing to support effective and efficient operations and workforce management.

We have identified several obstacles to improving timekeeping and payroll processing in the Ferries Division, including the difficulty of using multiple outdated business systems within Ferries and other state agencies.

Data from multiple systems are not compatible

The Ferries Division uses multiple systems to plan, manage, and control fleet operations and resources, but has no existing system to collect and integrate the data for analysis. The Automated Scheduling System guides daily ferry operations, detailing departure and arrival times and assigning staff on each route. The Marine Labor System captures some timesheet data for Ferries employees. WSDOT uses the state's Human Resource Management System to record employee salaries and produce its payroll. The time and effort necessary to gather and analyze information from these incompatible and sometimes outdated systems hinders Ferries Division executives who are trying to effectively manage operations.

Any new system must also be compatible with other statewide payroll processing systems and provide benefit to agencies outside of WSDOT. As demonstrated in the 2009 feasibility study led by OFM and WSDOT, a multi-agency approach likely will be the most successful but will require more time and money than one focused solely on the Ferries Division or WSDOT.

Multiple union contracts contribute to a very complex operating environment

Many state employees whose timekeeping would be affected by the adoption of a new system are covered by collective bargaining agreements. A new timekeeping and labor distribution system would provide enhanced reporting capabilities, which would allow WSDOT to gather data in a more timely fashion and evaluate proposals for discussions with the unions representing the workers.

WSDOT's recent effort to consolidate ferries payroll staff to Olympia was contested in a legal action by one of the employee unions. While WSDOT and the employee union eventually resolved the issues and implemented the change, the presence of 11 collective bargaining agreements inevitably contributes to an overly complex operating environment. Management and labor will need to evaluate the likely impact of proposed changes on collective bargaining agreements and obligations.

WSDOT lacks the funding necessary to implement a new system

As previously mentioned, a multi-agency approach to timekeeping and payroll processing will likely be the most successful but will require more time and money than a change focused solely on Ferries. A system replacement of this size must be proposed and approved through the state budget process and the technology systems approval process conducted by the Information Services Board.

FUTURE PERFORMANCE AUDITS

We believe at this time that conducting additional performance audits or other evaluations of Ferries Division payroll and labor distribution system would be redundant. However, we encourage Ferries and WSDOT managers to pursue a more robust performance measures and management system. Other divisions at WSDOT and other agencies across Washington state government have found that robust employee performance management systems are critically important to identifying more cost effective operational improvements.

APPENDIX A: GOVERNOR'S REQUEST LETTER

CHRISTINE O. GREGOIRE
Governor



STATE OF WASHINGTON
OFFICE OF THE GOVERNOR

P.O. Box 40002 • Olympia, Washington 98504-0002 • (360) 753-6780 • www.governor.wa.gov

March 8, 2010

The Honorable Brian Sonntag
State Auditor
PO Box 40021
Olympia, WA 98504-0021

Dear Auditor Sonntag 

In this difficult economic environment, I am committed to looking for every cost efficiency in state government. Over the past several years, the Department of Transportation Ferries Division has faced difficult challenges. There have been several reviews of the operations and management including reviews by your office, the Joint Legislative Audit and Review Committee, and the Joint Transportation Committee. The Ferries Division has learned from these studies and has made many changes in an effort to strengthen its business practices. One area we have identified for further potential efficiencies is improvements to the Ferries Division's timekeeping and payroll processing system.

Given the expertise of your team, I ask that you consider conducting a performance audit of the Ferries Division's timekeeping and payroll processing system. We are specifically looking for a review of the following elements:

1. Evaluation of Department of Transportation actions to implement past SAO performance audit recommendations regarding timekeeping and payroll processing for the Ferries Division as well as any additional actions taken for improvement;
2. Evaluation of the adequacy of Department of Transportation and statewide systems used to accomplish timely and accurate timekeeping and payroll processing, ability to support compliance with collective bargaining agreements, and the ability to support data driven decision making for the Ferries Division workforce. The review should include the Marine Labor System, the department's Integrated Dispatch System, and the Department of Personnel Human Resource Management System.
3. Evaluation and identification of obstacles and any additional opportunities to improve upon time capture and payroll processing in support of effective and efficient processing and workforce management. We need an efficient, effective, and simple data system.

I look forward to hearing from you and I appreciate your consideration of this request to identify improvements that will provide taxpayers the best possible value for their investments in our state transportation system.

Sincerely,

Christine O. Gregoire
Governor



APPENDIX B: DETAILED REVIEW OF PREVIOUS PERFORMANCE AUDITS

Performance audit of Washington State Ferries, 2007

FINDING:

Timekeeping at Eagle Harbor Needs Standardization- The timekeeping process at Eagle Harbor is a manual, labor-intensive, non-standardized, and inefficient process.

Recommendation to standardize timekeeping procedures.

Recommendation to eliminate dual entry of timecard data at Eagle Harbor.

Current Status

Recommendation to standardize timekeeping procedures – Complete- STATE AUDITOR'S OFFICE has verified that the Ferries Division has standardized and documented its timekeeping procedures.

Recommendation to eliminate dual entry of timecard data at Eagle Harbor – Complete- STATE AUDITOR'S OFFICE has verified that the Ferries Division has eliminated dual entry of timecard data at Eagle Harbor. Payroll data is transferred electronically to Eagle Harbor from the Marine Labor System.

Performance audit of WSDOT Overhead and Administration, 2007

FINDING:

Payroll and Timekeeping Improvements Needed – Opportunities to improve the payroll and timekeeping functions and related internal controls exist due to current manual, labor-intensive processes.

Recommendation (a) To implement a new labor distribution system with electronic time entry and approval functionality.

Recommendation (b) To change to 26 annual pay periods rather than the current semi-monthly process.

Current Status

Recommendation (a) To implement a new labor distribution system with electronic time entry and approval functionality – Seeking Funding

WSDOT has worked continuously since receiving this recommendation to address the need for a new labor distribution system with electronic time entry and approval functionality. Rather than work independently on a solution to this systems issue, WSDOT conferred with other organizations who had a business interest in this systems issue. WSDOT discovered that DNR also had a need to improve its payroll and timekeeping functions.

WSDOT joined with the Office of Financial Management (OFM), the Department of Personnel (DOP), the Department of Information Services (DIS),

and the Department of Natural Resources (DNR), to work collaboratively on a feasibility study that would address the needs of both WSDOT and DNR. A feasibility study is required by ISB policy prior to submittal of an Investment Plan to the ISB for approval. The Time, Leave, and Labor Distribution (TLLD) Feasibility Study, conducted by Dye Management Group, documented current business requirements and identified a proposed solution that met WSDOT and DNR's business needs, and could also be adopted as a statewide enterprise timekeeping system. The Feasibility Study and associated detailed requirements report for a new Time, Leave, and Labor Distribution System was completed in June 2009.

The Feasibility Study confirmed the lack of internal controls cited in the Performance Audit when it noted:

- Both DNR and WSDOT's existing systems lack internal controls. As noted in the State Auditor's 2007 WSDOT Administrative and Overhead Performance Audit, for example, WSDOT's current timekeeping systems lack a number of typical controls such as restricting the charge codes a user can select, a systematic process for reviewing and approving changes to time sheets, and an audit trail of initial entries and any subsequent changes.

The feasibility study identified other business problems related to the current WSDOT timekeeping and labor distribution systems beyond those described in the performance audit. For example:

- Because the current agency (WSDOT and DNR) systems are manual and labor intensive with limited edits at the point of time entry, there is a substantial risk of errors being made in the agencies' timekeeping processes. This includes the risk of miscalculating pay, overtime being earned but not paid, and overuse of leave among other issues.
- The timekeeping and payroll processes in both agencies are very labor intensive due to both the manual entry of employee timesheets by timekeepers in various business units and the time and effort required by agency accounting staff to review and reconcile differences between the respective timekeeping systems and DOP's Human Resource Management System (HRMS), which processes the payroll.
- The current systems are complex, fragile and require constant monitoring by each agency's information technology staff. DNR's timekeeping application and one of the two WSDOT timekeeping applications are almost 30 years old. For the most part, only mandated changes are made in order to maintain system stability. This leads to both unintended consequences when changes are made to the current applications and a proliferation of off-line systems needed to address various business requirements.
- There are duplications of effort in maintaining multiple time, leave, and labor distribution systems. WSDOT is maintaining two very similar systems, while DNR is also supporting its own agency time and attendance system. In addition, the TLLD feasibility study was able to identify over 40 timekeeping applications, some custom and some commercial-off-the-shelf-based (COTS) that are in use in various Washington State agencies.

- The current systems do not meet mandatory federal and state requirements for tracking Family and Medical Leave Act (FMLA) leave accruals and liquidations. This is an area of substantial risk; agencies are using manual processes to ensure compliance with FMLA standards.
- The current systems increase the complexity of complying with the Federal Fair Labor Standards Act, which mandates that all employees need to submit time worked – not just the exception time, or leave requests as most salaried employees have traditionally done. Because the current systems do not have electronic signature capability, agencies are either using a separate system to track time sheets or printing, signing and storing paper time sheets for all overtime eligible employees.
- Limitations in the current timekeeping systems make it difficult to implement and track provisions of the numerous collective bargaining agreements in place in the two agencies. These limitations increase the risks of a grievance being filed and of a labor union raising a past practices argument during labor negotiations.

WSDOT and OFM have continued to pursue procurement of a system that meets the detailed requirements already identified. Both organizations plan to prepare budget requests for 2011-13 biennium to support the acquisition of the two major components necessary to support a new Time, Leave, and Labor Distribution System. WSDOT is preparing a decision package for the timekeeping component and OFM is preparing a decision package for the labor distribution component of a new system. Both of these decision packages would be necessary to accomplish the proposed solution identified in the Feasibility Study and to address Recommendation 3 (a). The resulting timekeeping and labor distribution system could be used by other agencies and become a statewide enterprise system.

Since neither WSDOT nor OFM have completed their internal budget development process, it is not yet known if these packages will be submitted for consideration by the Governor. It is also unknown at this time whether these individual requests will be part of the next Governor's budget for the 2011-2013 biennium or whether it will be funded by the Legislature if it is in the Governor's budget.

Recommendation (b) To change to 26 annual pay periods rather than the current semi-monthly process – Complete

While this change would address difficulties encountered with breaking work weeks between pay periods, this recommendation is outside the authority of WSDOT to implement and was referred to OFM for response. OFM studied the feasibility of changing to 26 payroll periods per year from the current 24 payroll periods per year. OFM determined that they would not request a change in the current law allowing for 26 payroll periods per year, based on the rationale to maintain alignment with statewide payroll system period.

FINDING:

Align Washington State Ferries with WSDOT – WSDOT can improve its overall operations by aligning and integrating Washington State Ferries (WSF) with the rest of WSDOT.

Recommendation to develop ONE-DOT practices and implement new policies, procedures, systems and practices that consider all organizations within DOT.

Current Status

Recommendation to develop ONE-DOT practices and implement new policies, procedures, systems and practices that consider all organizations within DOT – Complete-Several actions related to the Ferries Division provide evidence of change that directly or indirectly impacts the timekeeping and payroll processes in response to this recommendation including:

- The Ferries Division established the Deputy Director positions specifically to improve communication within the Ferries Division and with WSDOT headquarters in Olympia. The Ferries Division Finance and Administration vacant position was filled in September 2008 and the Ferries Division Operations and Construction vacant position was filled in mid-August, 2010. The Directors of Operations, Vessel Maintenance, Preservation and Engineering, and Terminal Engineering will report to the Operations and Construction position.
- Responsibility for the Ferries Division payroll function has transferred to the WSDOT Payroll Office.
- Ferries payroll staff have been centralized in Olympia to increase efficiency and to improve consistency in processing payroll.
- Written policies and processes have been reviewed centrally, revised, adopted and distributed that apply to many groups of employees, such as payroll services delivery within the Department.
- Time collection processes have been documented, standardized, and followed within the Ferries Division for each of the six different groups of employees.
- Staff within WSDOT Administration are leading the effort to obtain a new labor distribution system that meets the business needs of the entire Department and complies with ISB standards.

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