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January 23, 2024

<u>**VIA EMAIL**</u>

The Honorable Ronald D. Kouchi
Senate President
415 South Beretania Street
Hawai'i State Capitol, Room 409
Honolulu, Hawai'i 96813

<u>**VIA EMAIL**</u>

The Honorable Scott K. Saiki
Speaker, House of Representatives
415 South Beretania Street
Hawai'i State Capitol, Room 431
Honolulu, Hawai'i 96813

Re: <u>*Audit of the Hawai'i State Hospital's Implementation of the Hawai'i Information Portal*, Report No. 24-02</u>

Dear President Kouchi and Speaker Saiki:

Please find attached Report No. 24-02, *Audit of the Hawai'i State Hospital's Implementation of the Hawai'i Information Portal*, along with a copy of the Auditor's Summary. This audit was performed pursuant to Senate Concurrent Resolution No. 82 (2022 Regular Session), which requires the Auditor to conduct a performance audit of the Hawai'i Information Portal (HIP), including an assessment of relevant Department of Health and Hawai'i State Hospital procedures, recommendations on any further actions needed, and any proposed legislation.

The report is accessible through our website at:
https://files.hawaii.gov/auditor/Reports/2024/24-02.pdf.

The summary is also accessible through our website at:
https://files.hawaii.gov/auditor/Overviews/2024/24-02AuditorSummary.pdf.

If you have any questions about the report, please contact me.

Very truly yours,

Leslie H. Kondo
State Auditor

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Attachments
ec/attach: Members of the Senate
Members of the House of Representatives
Carol Taniguchi, Senate Chief Clerk
Brian Takeshita, House Chief Clerk

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 Hawaiʻi 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.

For the complete report, visit our website at:
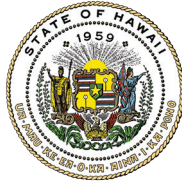**https://files.hawaii.gov/auditor/Reports/2024/24-02.pdf**

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

A Report to the Governor
and the Legislature of the
State of Hawai'i

Report No. 24-02
January 2024

OFFICE OF THE AUDITOR
STATE OF HAWAI'I

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STATE OF HAWAI'I

Constitutional Mandate

Pursuant to Article VII, Section 10 of the Hawai'i State Constitution, the Office of the Auditor shall conduct post-audits of the transactions, accounts, programs and performance of all departments, offices and agencies of the State and its political subdivisions.

The Auditor's position was established to help eliminate waste and inefficiency in government, provide the Legislature with a check against the powers of the executive branch, and ensure that public funds are expended according to legislative intent.

Hawai'i Revised Statutes, Chapter 23, gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every agency. The Auditor also has the authority to summon people to produce records and answer questions under oath.

Our Mission

To improve government through independent and objective analyses.

We provide independent, objective, and meaningful answers to questions about government performance. Our aim is to hold agencies accountable for their policy implementation, program management, and expenditure of public funds.

Our Work

We conduct performance audits (also called management or operations audits), which examine the efficiency and effectiveness of government programs or agencies, as well as financial audits, which attest to the fairness of financial statements of the State and its agencies.

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We report our findings and make recommendations to the governor and the Legislature to help them make informed decisions.

For more information on the Office of the Auditor, visit our website:
https://auditor.hawaii.gov

Foreword

Our audit of the Hawaiʻi State Hospital's implementation of the Hawaiʻi Information Portal was conducted pursuant to Senate Concurrent Resolution No. 82 (2022 Regular Session). The resolution requires the Auditor to conduct a performance audit of the Hawaiʻi Information Portal, including an assessment of relevant Department of Health and Hawaiʻi State Hospital procedures, recommendations on any further actions needed, and any proposed legislation.

We express our appreciation to the representatives from the Department of Health and the Hawaiʻi State Hospital, employees of the Office of Enterprise Technology Services, and other individuals whom we contacted during the course of our audit, for their cooperation and assistance.

Leslie H. Kondo
State Auditor

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

The Hawai‘i Information Portal was designed to use technology to modernize the State's payroll and leave processes. However, the Hawai‘i State Hospital lacked confidence that its employees could accurately self-enter time and leave – the foundation of the new system – resulting in the hospital's cobbling together processes that are inefficient, paper dependent, and likely prone to error.

"This is another major step towards greater accuracy and efficiency in one of the most paper-dependent systems within state government."

– Governor David Ige

Introduction

IN 2016, the State of Hawai‘i embarked on one of its largest and most ambitious information technology (IT) projects, intended to modernize decades-old payroll and leave processes for state employees. The project aimed to streamline those processes, endowing them with greater functionality and efficiency, and providing employees with online access to pay statements and other features, including the ability to request leave online. It also gave managers access to real-time data and better information and reporting features. As then-Governor David Ige said in a press release, "This is another major step towards greater accuracy and efficiency in one of the most paper-dependent systems within state government."

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 in addition to regular hours, such as overtime, as well as leave information. In addition, HIP features a dashboard that allows State of Hawai'i personnel to view and manage their payroll information. Employees may also input adjustments to their payable time as well as leave requests, subject to supervisor approval.[1]

To facilitate the State's transition to HIP, the State of Hawai'i Office of Enterprise Technology Services (ETS) shepherded the system's development and implementation, with help from the Department of Accounting and General Services (DAGS), and 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 entry of time 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 Hawai'i State Hospital transitioned to HIP in August of 2021, as part of the last group of State of Hawai'i agencies to begin using the new system. In its preparation for that transition, the hospital decided that the SOPPs – most significantly, the employee 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. The hospital created its own procedures, which are still undocumented and evolving, to process both pay and leave. Specifically, the hospital did not have confidence that its employees, which include both salaried workers as well as shift workers, 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.

Instead of following HIP's SOPPs, the hospital created its own process, which requires as many as 11 employees – some of whom are part of the hospital's Human Resources section while others come from other parts of the hospital – to input every hospital employee's pay adjustments for each day the employee works as well as most employees' leave requests. Not only does the process require handwritten daily rosters to be manually transcribed onto a Microsoft Excel spreadsheet before being entered into HIP, but it also prioritizes the inputting of payable time,

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[1] Throughout this report, we use the term "payable time" in its ordinary descriptive sense, not in the technical, expressly defined sense used in the SOPPs.

occasionally resulting in employee leave being inputted late. The process 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 substitute procedures have not achieved the primary purpose of HIP – to modernize the payroll and leave processes. While the hospital does process time and leave through HIP, the procedures that it developed deviate fundamentally from HIP's foundational premise – timely *self-entry* of any pay in addition to regular hours such as overtime, as well as leave requests – resulting in a process that is more inefficient and more labor-intensive than previous practices.

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.
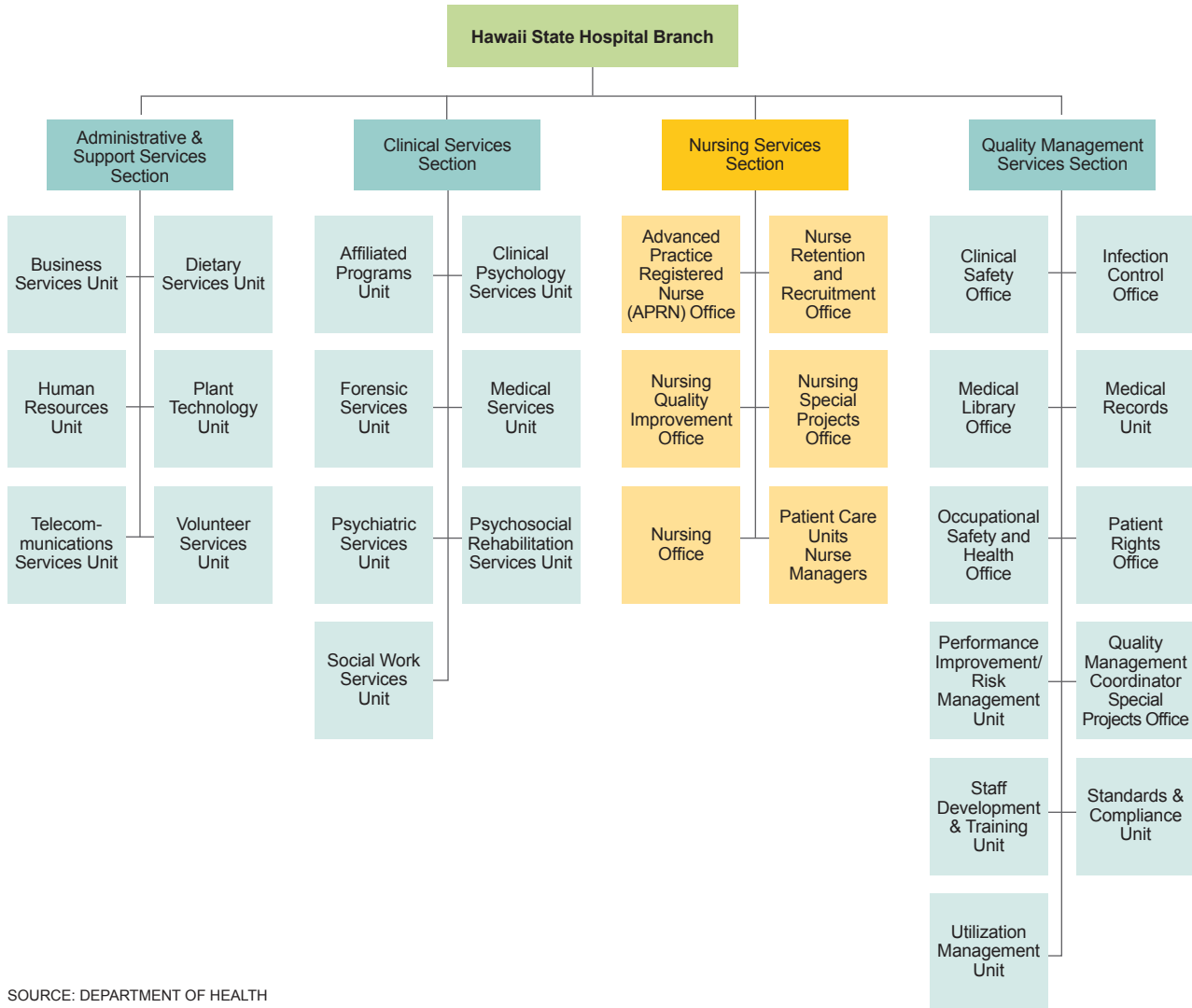
The hospital's modified process, which requires that every employee's time and most employees' leave be manually inputted before the end of the pay period, has also created a high-stress environment that we were told is contributing to staff turnover. According to the Human Resources (HR) Specialist, the cyclical nature of the payroll process has left her staff little time to address the issues that have persisted since the system's rollout. "We cannot stop. We have to keep going," the HR Specialist explained. In mid-October 2023, the HR Specialist left her position at the hospital.[2]

There does appear to be an opportunity to bring the Hawaiʻi State Hospital's paper-based and labor-intensive payroll system into the 21st Century. The hospital's implementation of HIP was originally planned to include automated timeclocks. The adoption of such time capture technology, widely used in health care, would have largely eliminated the need for the manual entry of time and attendance into the HIP system, whether by individual employees or data-entry staff. However, the hospital did not pursue the implementation of such technology, and it is unclear why, considering the HR Specialist agreed it would be a "game changer."

So, instead of following HIP's SOPPs, the hospital created its own process, which requires as many as 11 employees – some of whom are part of the hospital's Human Resources section and others pulled from other parts of the hospital – to input every hospital employee's pay adjustments for each day the employee works as well as most employees' leave requests.

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[2] The former HR Specialist remained in her position until after we had completed field-work for this audit. However, three hospital administrators were removed from their posts in August 2023 and subsequently were no longer available to our audit team.

Exhibit 1
Hawai'i State Hospital Organization Chart as of July 22, 2019

Hawaii State Hospital Branch

Administrative & Support Services Section
- Business Services Unit
- Dietary Services Unit
- Human Resources Unit
- Plant Technology Unit
- Telecommunications Services Unit
- Volunteer Services Unit

Clinical Services Section
- Affiliated Programs Unit
- Clinical Psychology Services Unit
- Forensic Services Unit
- Medical Services Unit
- Psychiatric Services Unit
- Psychosocial Rehabilitation Services Unit
- Social Work Services Unit

Nursing Services Section
- Advanced Practice Registered Nurse (APRN) Office
- Nurse Retention and Recruitment Office
- Nursing Quality Improvement Office
- Nursing Special Projects Office
- Nursing Office
- Patient Care Units Nurse Managers

Quality Management Services Section
- Clinical Safety Office
- Infection Control Office
- Medical Library Office
- Medical Records Unit
- Occupational Safety and Health Office
- Patient Rights Office
- Performance Improvement/Risk Management Unit
- Quality Management Coordinator Special Projects Office
- Staff Development & Training Unit
- Standards & Compliance Unit
- Utilization Management Unit

SOURCE: DEPARTMENT OF HEALTH

The Hawaiʻi State Hospital: A 24/7 facility with a complicated pay environment

The Hawaiʻi State Hospital is part of the Department of Health's Behavioral Health Administration-Adult Mental Health Division. It is organized into four sections: *Administrative & Support Services* (which includes financial services, human resources, food services, and volunteer services); *Clinical Services* (psychiatry, psychology, social work, occupational therapy, recreational therapy, and other allied health professionals); *Nursing Services* (nurses and nurse managers and administrators); and *Quality Management Services* (various offices that address such things as infection control, clinical safety, and patient safety among other things).

Staffing and Hours

The hospital has more than 740 positions of which 597 are filled, 379 in nursing. Employees at the hospital include those who work directly with patients (called "direct care" or "directs") and those who do not (called "non-direct care" or "non-directs"). The hospital is a 24 hours a day, 7 days a week (24/7) facility, staffed through three eight-hour shifts each day. According to the hospital's HR Specialist, roughly two-thirds of the employees at the hospital are direct care staff in the Nursing Services section and are engaged in 24/7 shift work. Non-direct staff, the other third of the hospital's employees, generally work regular Monday through Friday schedules. Both direct care and non-direct employees are salaried, meaning they are paid a base monthly salary that is based on a 40-hour work week.

Most of the hospital's staff are members of one of seven different collective bargaining units, each of which has negotiated separate agreements with the State of Hawaiʻi that include, among other things, provisions about when union members may be entitled to additional compensation (or pay adjustments) relating to their work at the hospital. For instance, because the hospital requires staffing 24/7, many direct-care employees work night shifts and, when they do, are entitled to a "differential," an additional salary allowance to the employee's base salary. Another example of a pay differential is when an employee is required to standby at home for a determined period of time in the event the hospital does not have sufficient staffing and must call the employee back to the hospital to work a shift.

All hospital staff who are members of a bargaining unit, both direct and non-direct employees, are eligible for differential pay. Both generally receive a "working condition" differential for working at the hospital; direct care and non-direct employees may work overtime and, when they do, are entitled to additional pay above their base salary. Direct care staff are entitled to other differentials associated with, for instance, working beyond six consecutive days without a 24-hour rest. The following is a list of typical differentials that direct care staff may be entitled to receive based on their work schedule:

Overtime Pay

Under the federal Fair Labor Standards Act, overtime pay is required for hours worked over 40 hours per work week. However, under collective bargaining agreements, employees at the hospital may be entitled to overtime for all hours in excess of a scheduled eight-hour workday as well. Overtime pay can involve pre-shift overtime and post-shift overtime.

Holiday Pay

Like all state employees, hospital staff have 13 paid state holidays (14 in election years). Staff who work on a holiday get paid overtime. This pay can be compounded if employees also work pre-shift or post-shift overtime on holidays.

Working Conditions Differential

The working conditions differential applies to all hospital employees, both direct care and non-directs; it reflects the unusual working conditions of employees given the unique context and patient population at the hospital (inpatient psychiatric services for court-ordered individuals).

Night Differential

The night differential applies to hours worked between 6 p.m. and 6 a.m. But the starting time for a night differential can vary by collective bargaining unit. In addition, a night differential can be compounded by overtime.

Call-Back Pay

An employee who is off-duty (i.e., not scheduled to work) and is called back to work is entitled to either a minimum number of hours of regular pay or overtime.

Standby Pay

An employee is on standby duty when assigned by a superior to remain at home (or any other designated place) for a specific period for the purpose of responding to calls to immediately report to work after the employee's normal hours of work, on the employee's scheduled day off, or on holidays. The employee is paid 125 percent of the employee's daily rate for each portion of standby duty to which the employee is assigned during the calendar day.

Stretches

If an employee works more than 6 consecutive days without a 24-hour rest, the employee is entitled to additional overtime pay. Because the differential for stretches is triggered after an employee works more than six consecutive days, the differential can only be counted or determined retroactively. Determining nursing staff's entitlement to stretches normally takes one member of the hospital's HR staff two days to perform at the end of the pay period.

Meals

Employees who perform overtime work after their normal workday are entitled to meal pay after the first two hours of actual overtime work and after intervals of five hours following the first overtime meal. When employees work pre-shift overtime for two or more hours they are entitled to meals for the overtime period. When they work fewer than 2 hours of pre-shift overtime, with fewer than 24 hours prior notice, they are entitled to be compensated for a meal at the start of their normal workday and at the normal meal period during the workday.

SOURCE: HAWAI'I HEALTH SYSTEMS CORPORATION, BACKGROUND: ISTOCK.COM

Timed Out

Kronos time capture, an automated timeclock system, was originally planned to be part of the hospital's implementation of the HIP time and leave module. The integration of the technology would have eliminated or greatly reduced the need for manual entry of data; however, Kronos time capture was dropped over presumed union concerns – apparently before actually consulting the unions.

THE HAWAI'I STATE HOSPITAL'S implementation of the HIP time and leave module was originally planned to include Kronos time capture, an automated time and attendance system. Kronos collects and records employee time information using a range of technologies, including biometric, RFID (Radio Frequency Identification) badges, and facial recognition technology. The adoption of such technology would have largely eliminated the need for the manual entry of time and attendance into the HIP system, whether by individual employees, Nursing Office staff, or hospital timekeepers.

According to the former Senior Project Manager at the Office of Enterprise Technology Services (ETS), who served as HIP's project manager, her team made Kronos a project requirement after the State Department of Health's Chief Information Officer (CIO) at the time informed her that it would be a part of the hospital's implementation of HIP. During HIP's design stage, project developers provided the hospital and the Kronos vendor with the specifications for the integration of Kronos with HIP. However, according to the Senior Project Manager, subsequent inquiries by ETS project staff on the status of Kronos implementation went unanswered by the hospital.

Lost time?

As late as October 2021, ETS had expected the integration of Kronos time capture to be a part of the hospital's implementation of HIP. In its Time and Leave Project Closure Report, published that month, ETS listed Kronos time capture at the hospital on its list of unfinished work that was "thought of as beneficial to the long-term success of the Time and Leave functions in HIP."

The hospital did not pursue the implementation of Kronos time capture technology, and it is unclear why, considering that the HR Specialist agreed it would be a "game changer." Both the department and the division CIOs, who would have been involved in that decision, have since retired. According to the hospital's former Associate Administrator of Administrative and Support Services, who was not a part of those discussions but was familiar with the decision-making, the hospital anticipated that the use of automated time clocks would be met by heavy resistance from its employee unions, so much so that it was decided to not pursue the matter with the unions themselves.

As a result, implementation of HIP continued without the Kronos time capture technology, and as previously noted, hospital administrators also declined to implement HIP as designed, keeping many manual payroll processes largely in place. The result was, according to the Associate Administrator, a "seismic disruption" of a payroll processing system that involved "a lot of learning and adaptation on the fly" and a lot more work than the previous system.

"What's happening now is that a team of HR staff is having to translate time from [Hawai'i State Hospital] paper records and having to log that time into a screen in HIP," ETS's Senior Project Manager told us. "That keying – along with the delays and human mistakes that come with the manual process – could be greatly relieved by automation."

"Absolutely necessary for the accurate reporting of time"

Since 2007, the Hawai'i Health Systems Corporation's (HHSC) East Hawai'i Region's 1,700 employees at its three hospitals (Hilo Medical Center, Hale Ho'ola Hāmākua, and Ka'u Hospital) have been clocking in and out of work using Kronos timeclocks. According to HHSC's HR Analyst, the Kronos time and attendance system[3] features "dozens and dozens" of pay codes or pay differentials associated with the agreements with the hospital system's seven collective bargaining units (United Public Workers Bargaining Unit Nos. 1 and 10 and Hawai'i Government Employees Association Bargaining Unit Nos. 2, 3, 4, 9, and 13), the same units that represent Hawai'i State Hospital employees.

According to HHSC administrators, the integration of time capture along with programmed pay codes helps make the payroll process "black and white," accounting for which staff are working where and when they are working. Such transparency has had multiple benefits for the region's facilities. Since late arrivals and early departures of shifts are recorded by Kronos, overtime has been reduced. In addition,

from a human resources standpoint, the system provides precise reporting that can help guide and support management decisions on staffing and increases transparency. Moreover, overtime and other time and attendance data automatically captured by time clocks are easily compiled and reported to management for analysis of costs and to auditors during their annual reviews.

While the benefits have been myriad, administrators point out that the implementation and recent upgrade of the Kronos (now known as Ultimate Kronos Group or UKG) system has been not without effort. For example, negotiations with the unions were described as "rough" but "a progression." According to HHSC's HR Analyst, who participated in the timeclock implementation in 2006 - 2007, the unions were mainly concerned with how their members would be affected and how they would be paid, concerns that were eventually addressed.

According to East Hawai'i Region administrators, HHSC's West Hawai'i Region (Kona Community Hospital and Kohala Hospital) adopted Kronos time capture approximately six years ago, an effort that took only three months to complete. In addition, the system's Kaua'i Region is currently contemplating a switch over to automated timeclocks. HHSC's East Regional Controller pointed out that unlike nearly 20 years ago, the use of time and attendance systems are common practice, so the conversation (with the unions) is different now.

"Having worked in health care for more than 30 years, a time and attendance system is absolutely necessary for accurate reporting of time," says HHSC's East Regional Controller. "I look back to the late 1990s, when I worked at a regional hospital for the last time that I worked when we didn't have a time and attendance system and paper time sheets were used for all employees. That was a lot of work, and you couldn't guarantee the level of accuracy you get from a time and attendance system."

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[3] In July 2023, the HHSC East Region completed an update to the latest version of a time and attendance system by Kronos (now known as UKG, Ultimate Kronos Group), which is integrated with Kronos/UKG scheduling and payroll software. However, the region does not use HIP technology to process time and leave. Instead, it uploads a file with calculated payroll amounts to Hawai'i Pay for pay distribution.

The HIP system is designed to replace paper-based and labor-intensive payroll processes.

One of the State's largest and most ambitious IT modernization projects, the transformation of the State's payroll and time and leave system was implemented to replace a mainframe payroll system with a single integrated software system. The project was viewed as a significant opportunity to transform the culture of Hawai'i state government by creating more efficient, less paper-dependent processes.

The new online system is accessed through HIP and features an employee self-service dashboard designed to help employees access their own information relating to payroll. Key elements of the system are:

- The elimination of a 40-year-old paper process that requires employees to submit paper copies of timesheets (if applicable) and leave request forms;

- The ability for employees to quickly correct and resubmit their timesheets to update payable time for payroll;

- Secured access to data and streamlined human resources workflow; and

- An intuitive, user-friendly platform that enables access to real-time data online.

This new functionality, which integrates seamlessly into the human resources and payroll systems, processes pay more efficiently and with greater consistency than the manually calculated timesheets of the past, and employees now have visibility to their paid leave benefits with each pay period. Under the new system, employees manage their payroll information online, including updating direct deposit information, federal tax withholding allowances, mailing addresses, and beneficiary information, as well as viewing and printing pay statements and W-2 tax forms. Employees were informed of the new system and offered continual support through a service center, online videos, letters, emails, presentations, and other communications.

An employee- and supervisor-centric system

In October 2020, DAGS and ETS issued the SOPPs as the State prepared to roll out the HIP time and leave system. The roles, responsibilities, and the numerous policies and procedures outlined in the SOPPs help ensure that the payroll system meets the modernization effort's three objectives: (1) employees receive compensation based on hours worked; (2) departments maintain efficient operations with respect to time and leave submission in HIP; and (3) payroll is calculated accurately based on timely entries of leave and other pay types. (See chart on pages 20-21 for illustration of the HIP SOPPs process.) For instance, employees are responsible for reporting their

actual time worked in a timely manner. While hourly employees (i.e., student workers, 89-day hires, and casual employees) report all hours that they worked, salaried employees only report time worked on an exception basis, such as when they earn differentials (i.e., adjustments) to their base pay. In addition, employees are responsible for requesting overtime and compensatory time in advance of earning it, whenever practical, through the HIP portal.

ETS appears to have identified certain risks associated with allowing employees to enter their own time, including self-entering adjustments to their base pay, and developed safeguards in its process to address the risk of incorrect entry of data. Two of those important safeguards are the supervisor review and approval. Supervisors are responsible for reviewing employees' self-entered time and self-entered adjustments to base pay; supervisors deny or "push back" employees' electronic timesheets if they disagree with the payable time entered by the employee (a push back sends the request back to the employee for correction or cancellation). Once the supervisor believes the payable time entered by the employee is correct, the supervisor must approve the entry for the employee's pay to be processed through HIP.

Supervisors also are required to approve or deny employee overtime and compensatory time requests in a timely manner as well as to monitor and manage exceptions in HIP, addressing irregularities in the time or adjustments entered by the employee into HIP. Exceptions represent entries that are inconsistent with internal rules programmed into HIP that are part of the control process (or safeguards) intended to achieve HIP's purpose that employees be paid based on hours worked. For example, overtime recorded on an employee's electronic timesheet that was not pre-approved will be marked as an exception and will require employee action.

Other important controls to help ensure accurate and timely delivery of paychecks are performed by timekeepers, who provide support and oversight of employee self-entry and supervisor review. Timekeepers monitor and manage exceptions identified by HIP to ensure supervisors address them. In addition, timekeepers monitor the timeliness of employee time submissions and supervisor approvals. Perhaps most importantly, timekeepers are responsible for generating mandatory system reports to review, audit, or analyze pay data.

Employees are also expected to manage their own leave balances, both vacation and sick leave, and can view the balances of the different types of their accrued leave through HIP. Under the SOPPs, employees input leave requests directly into the HIP system. The HIP system has safeguards relating to leave requests, both programmed and procedural. First, HIP requires employees to "forecast" their leave balances to determine whether they will have sufficient accrued leave to cover

the amount of requested leave hours. Then, once submitted, leave requests are automatically routed to supervisors, who are notified via email of the requests pending their approval. Supervisors approve, deny, or push back the leave requests. Employees receive an email notification once the supervisor takes any action, and, in the case of a push back, the system sends the leave request back to the employee for correction, modification, or cancellation. If employees change or cancel leave requests, they do so through the HIP system, which automatically recalculates an employee's leave balances.

Leave keepers enter leave on behalf of employees when they cannot do so for themselves, and their supervisors cannot do so either. Regular forms of leave include sick leave, vacation leave, and leave without pay. Like timekeepers, leave keepers have the responsibility for generating mandatory and optional system reports that could be used to review and audit the system.

Exhibit 2

Time and Leave DIY

HIP's self-entry time and leave system relies on employees and their supervisors fulfilling their respective roles and responsibilities in a timely manner. Built into HIP – both programmed and procedural – are "controls" or safeguards to ensure proper entry of time and leave.

Time Self-Entry

Employees

Salaried employees, generally, do not submit information into HIP for the hours that they worked. Instead, they only complete timesheets in the HIP system if they have differential pay (i.e., adjustments to their base pay, such as overtime) to report. To do so, after logging into HIP, they navigate to the Employee Self-Service page and select the Time tile, then the Enter Time tile to submit the appropriate adjustment to their regular pay for the day.
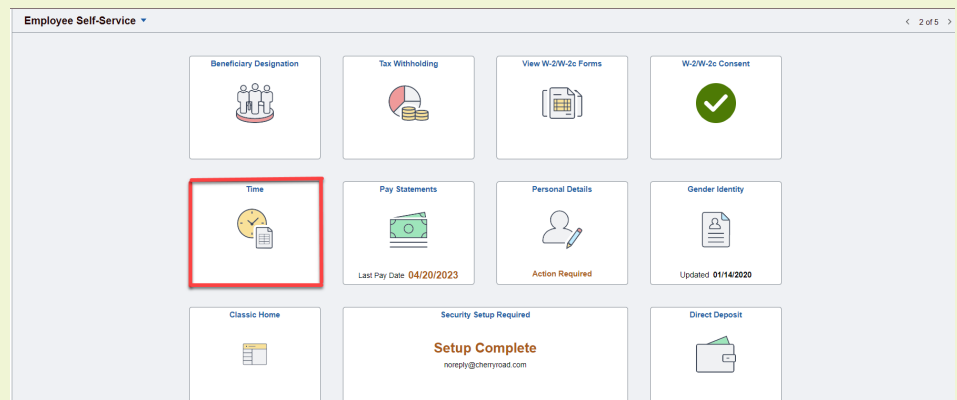
SOURCE: OFFICE OF ENTERPRISE TECHNOLOGY SERVICES

Once in the electronic timesheet, employees select the appropriate Time Reporting Code from the drop-down menu, enter hours for the fringe/special types of pay on the eligible dates, enter any comments necessary, then click on the "submit" button to submit the hours for approval.
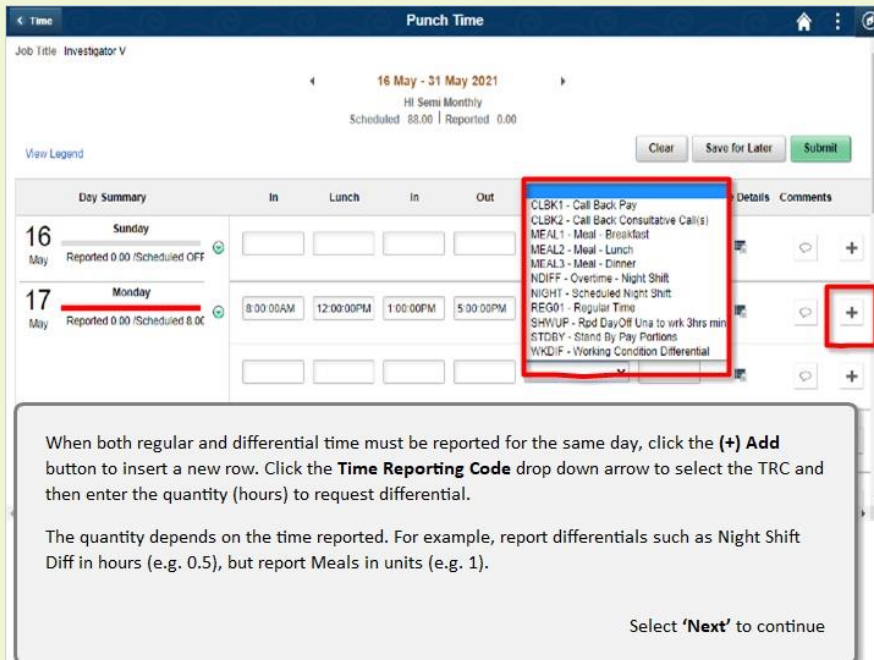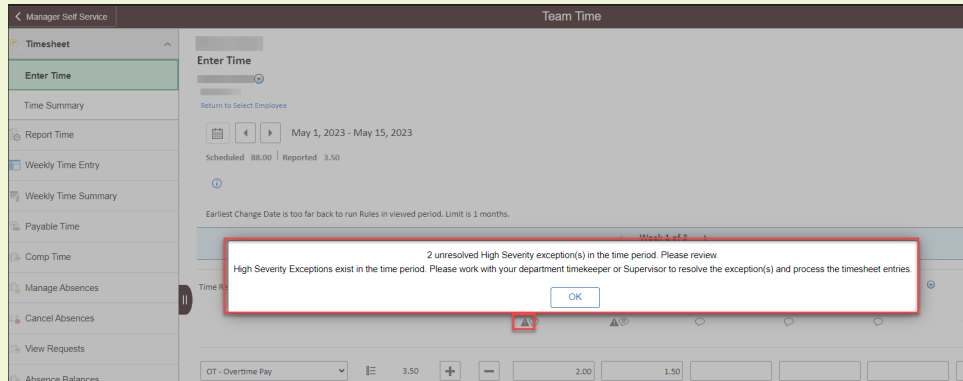

SOURCE: OFFICE OF ENTERPRISE TECHNOLOGY SERVICES

System

The system automatically validates the hours an employee enters against the hours the employee was scheduled to work. In specific scenarios, the HIP system has been programmed to identify certain types of information as being possibly incorrect or contrary to the State's policies and procedures. When that happens, HIP "flags" what the SOPPs call "exceptions" in the employee's timesheet which then requires employee or supervisor action to address. These exceptions are automated controls, or safeguards, programmed into HIP to help supervisors and the department prevent mistakes on timesheets that would result in employees' pay being incorrect. Examples of exceptions flagged by HIP include pay adjustments for more than one breakfast, lunch, or dinner on the same day or the combined number of hours reported for a single date exceeding 24.

The most common exception the system flags is a pay adjustment for overtime without the supervisor's prior approval of the overtime. The exceptions are generated by the system after timesheets are submitted for supervisor review and approval. Timesheets with exceptions are flagged with the catchall symbol for a warning (a triangle with an exclamation point icon) in addition to a pop-up window, which alerts the supervisor of the number of exceptions and the severity of the exception. High-level exceptions, such as an inaccurate Time Reporting Code, must be addressed, i.e., fixed by the employee or allowed by

the supervisor, before timesheets are forwarded to payroll. Low-level exceptions, such as a missing Time Record Code comment, do not require intervention for payroll processing, but they will remain on the exception table until they are resolved or allowed.

SOURCE: OFFICE OF ENTERPRISE TECHNOLOGY SERVICES

Supervisors

Supervisors log into the HIP portal and navigate to the Manager Self-Service page where they manage Payable Time requests by clicking on the Approvals tile. A list of Pending Approval requests appears, and supervisors click on the applicable request to review them. On the Payable Time screen, supervisors review the details of the request such as dates and hours as well as the chain of approvals. After reviewing the details, they either approve, deny, or push back the request. A "push back" is an action that sends the request back to an employee for correction or cancellation.

Once Payable Time is approved by a supervisor, it is ready for payroll processing on the next available pay cycle.
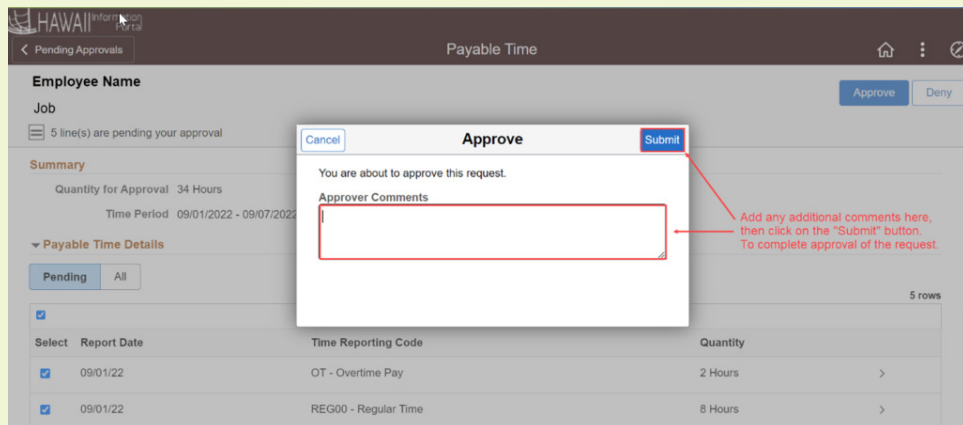
SOURCE: OFFICE OF ENTERPRISE TECHNOLOGY SERVICES

Paycheck

Hours will be paid out on the paycheck corresponding with the pay period.

## Leave Self-Entry

Leave can be initiated by an employee or by a supervisor or leave keeper on behalf of an employee. Human Resources can administer leave requests for employees for extended absences.

Employees

Employees navigate to the Employee Self-Entry screen and select the Time tile, then the Request Absence tile to enter details about the request and upload supporting documents, if necessary. Employees select an absence type as well as a reason why the absence was taken from the drop-down menus, such as vacation or sick leave. The employee must select the Check Eligibility link to determine if the employee has sufficient projected accrued leave to cover the requested leave.

If employees need to change or cancel approved leave requests or want to view their accrued leave balances or project their leave balances, they are able to self-access such information at any time through HIP.
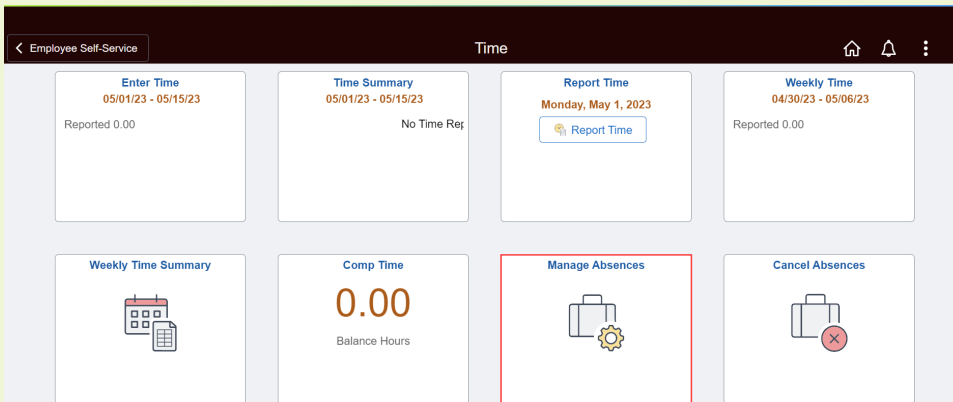
SOURCE: OFFICE OF ENTERPRISE TECHNOLOGY SERVICES

System

The system checks the employee's leave balance as of the date requested, based on what is already recorded on the employee's leave record to confirm there are sufficient projected accrued leave hours for the request. If an employee's vacation leave request is approved and the employee subsequently submits another vacation leave request for an earlier date, that leave may result in the employee not having sufficient projected available leave hours for the request that was previously approved, and that leave may be converted to leave without pay. If requests become ineligible because of more recent leave requests, an "Eligibility has changed for one or more existing Absence Requests" message will be sent via email to the employee. As previously noted, if employees do not have sufficient projected accrued leave to make a leave request, they will need to make adjustments to their requests.

Supervisors

Supervisors receive notices via email of leave requests requiring their review and approval. They review the leave request for accuracy and necessary supporting documents, then approve or deny the request for processing or cancel or push back the request to the employee. Once the supervisor approves the request, the employee's leave balance will be reduced accordingly.

Keeping Everyone in the Loop

FOR LEAVE REQUESTS, HIP automatically notifies employees and their supervisors of the presence and status of a leave request.

1

Employee

When requesting leave, the employee is required to forecast the amount of accrued leave. If there is insufficient accrued leave hours to cover the request, the employee will be notified and will need to edit the request details.

2

System

The system will automatically send a notification email to an employee's supervisor when the employee submits a new absence request. It will also send follow-up emails to the supervisor until the supervisor addresses the request.

5

Employee

After the supervisor approves the request, the employees' accrued leave balances are reduced accordingly. Their requests and leave balances will be reflected on the corresponding paychecks.

4

System

Once the supervisor has approved, denied, or pushed back the leave request, the system sends a notification email to the employee.

3

Supervisor

The supervisor reviews the employee's absence request and any necessary supporting documents, then approves, denies, or pushes back the request to the employee for corrections to be made.

SOURCE: OFFICE OF THE AUDITOR, ILLUSTRATION: ISTOCK.COM

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. As previously noted, employees and their supervisors are intended to have fundamental roles and responsibilities from which HIP's 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. For example, one query identifies employees who need their "reports-to-supervisor" information entered or corrected in HIP to ensure their requests are routed to the correct individual for approval.

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 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. For instance, HR had regularly experienced the challenge of getting staff to submit paper G-1 leave request forms to supervisors for approval on time, and HR had doubts that the staff would submit these requests electronically into HIP. 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. In addition, HR anticipated that a large volume of inaccurate time and leave submissions by employees – some of which HR believed would be some staff's intentional attempts to inflate their pay – would likely overwhelm their supervisors' ability to properly review them by the payroll deadlines.

While training materials and opportunities were widely available to employees and their supervisors to help overcome these misunderstandings, it does not appear to have been a consideration for the HR Specialist, who was more concerned about the employees who would intentionally attempt to use the HIP system to their advantage and supervisors who were unable or unwilling to do anything about

it. She had little confidence that HIP's and the SOPPs' safeguards (e.g., supervisor reviews and other checks) were sufficient to detect and flag erroneous entries. Because of those concerns, the hospital never developed training for its staff or required them to review the instructional materials produced by ETS, including numerous videos posted on ETS's website.

"Because we did it manually, and we saw all the discrepancies – be it intentional or unintentional – there was not a level of trust that staff would be thoroughly honest," said the hospital's HR Specialist. "There is no evidence in the written material or training that would have supported [controlling errors]….Before HIP, we knew [employees] were doing stuff, but we couldn't prove it."

According to the HR Specialist, she had considered allowing employees to self-enter their payable time into HIP, but she was concerned that the hospital would not be able to recover the probable overpayments to employees. If employees enter adjustments to their pay that are inaccurate – whether mistakenly or otherwise – and those errors are not caught, employees' pay will be inaccurate, i.e., inflated. In those cases, the hospital attempts to recoup that overpayment amount from the employee. In the end, HR staff believed that they were ultimately responsible for the accuracy and integrity of how employees are paid and decided that their unit would take on the responsibility of entering time and leave into HIP on behalf of all the hospital's employees. And, as previously noted, that decision required the hospital to add staff to its HR unit and shift staff from other sections of the hospital to input the payable time and leave for each of its employees.
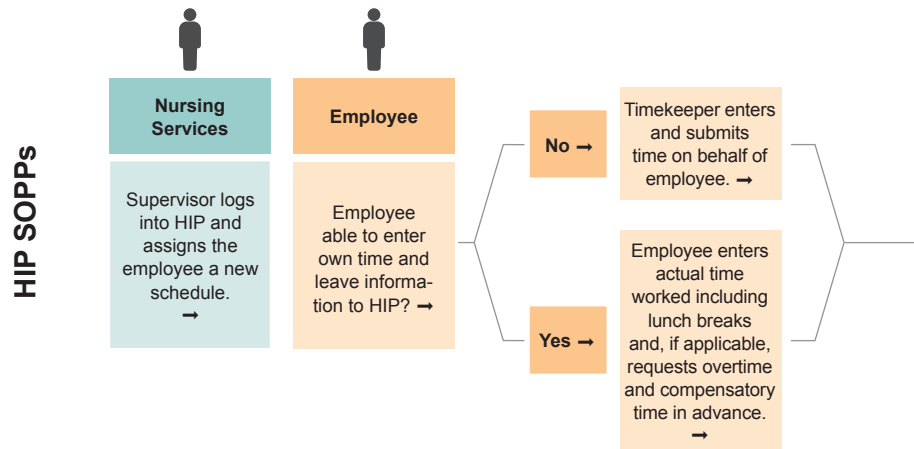
During our audit, the hospital experienced extensive turnover of its upper management who would have made such a decision. Besides photos of a few white boards prepared several months prior to project rollout, the HR unit could not provide us with any documentation of the planning and implementation of the hospital's version of HIP. We also requested contemporaneously created written documentation of decisions, but the few documents given to us provided little to no insight into the decision-making. In addition, the unit could not provide us with documentation of the processes, policies, and procedures of the modified HIP system that they developed.

As a result, we were unable to get an accounting of the decision-making regarding the hospital's implementation of HIP. However, considering the current structure of the hospital's modified application of HIP, it appears that, at a minimum, the HR Specialist's concerns significantly influenced the hospital's subsequent implementation of HIP. It is also apparent that at some point, the HR Specialist, who supervised the unit, became the architect and administrator of the hospital's modified application of HIP.
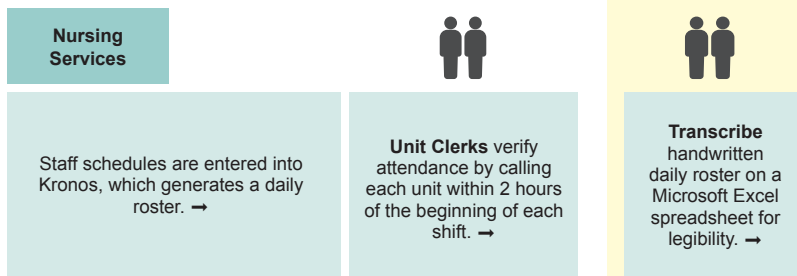
The Opposite of Automation

INSTEAD OF self-entry of time and leave by individual employees, the hospital's modified procedures, which are still undocumented and are evolving, require handwritten daily rosters to be manually transcribed onto a Microsoft Excel spreadsheet before being entered into HIP by as many as 11 employees.
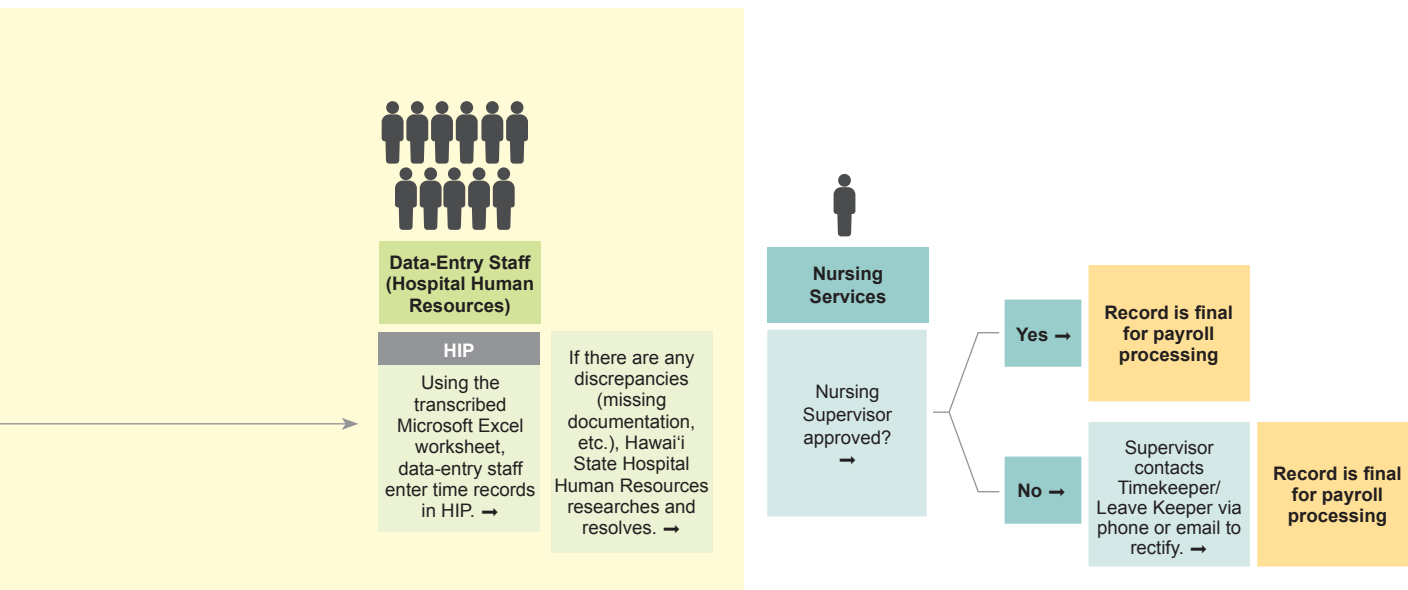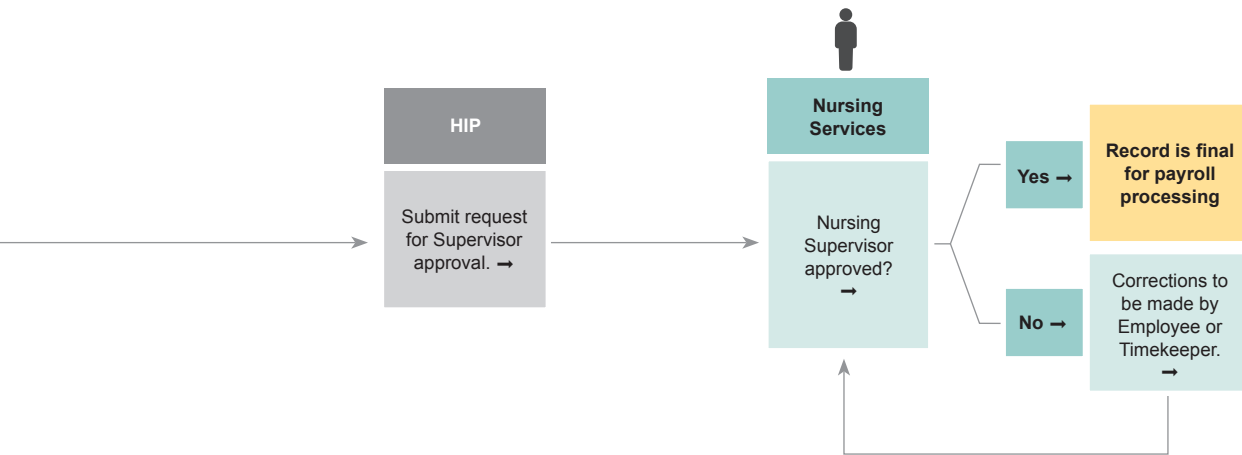
HIP SOPPs

Nursing Services

Supervisor logs into HIP and assigns the employee a new schedule. ➡

Employee

Employee able to enter own time and leave information to HIP? ➡

No ➡

Timekeeper enters and submits time on behalf of employee. ➡

Yes ➡

Employee enters actual time worked including lunch breaks and, if applicable, requests overtime and compensatory time in advance. ➡

Hospital's Modified HIP System

Nursing Services

Staff schedules are entered into Kronos, which generates a daily roster. ➡

Unit Clerks verify attendance by calling each unit within 2 hours of the beginning of each shift. ➡

Transcribe handwritten daily roster on a Microsoft Excel spreadsheet for legibility. ➡

ALTHOUGH HIP automates many payroll functions, the Hawai'i State Hospital's time and leave tracking remains a largely manual process. And while the amount of physical paper flowing to human resources may have dropped, the amount of time needed to manually input payroll data has required additional staffing. (See "Pushing Paper" on page 24.)

SOURCES: HAWAI'I STATE HOSPITAL AND THE OFFICE OF THE AUDITOR

HIP

Submit request for Supervisor approval. ➡

Nursing Services

Nursing Supervisor approved? ➡

Yes ➡ | **Record is final for payroll processing**

No ➡ | Corrections to be made by Employee or Timekeeper. ➡

Data-Entry Staff (Hospital Human Resources)

HIP

Using the transcribed Microsoft Excel worksheet, data-entry staff enter time records in HIP. ➡

If there are any discrepancies (missing documentation, etc.), Hawaiʻi State Hospital Human Resources researches and resolves. ➡

Nursing Services

Nursing Supervisor approved? ➡

Yes ➡ | **Record is final for payroll processing**

No ➡ | Supervisor contacts Timekeeper/ Leave Keeper via phone or email to rectify. ➡ | **Record is final for payroll processing**

The hospital's decision to remove employees from the HIP process fundamentally altered the system's programmed and procedural controls to ensure accuracy, timeliness, and efficiency.

As previously noted, the HIP system and its SOPPs are centered around employees and their supervisors. Specifically, the SOPPs rely on employees to timely self-enter their time and leave; once entered, the system depends on supervisors to review and approve those entries. From these required roles and responsibilities flow HIP's process that helps ensure the accuracy and timeliness of employee paychecks as well as the efficiency of their delivery.

Over concerns of employees' ability and willingness to enter time correctly, the hospital decided to forego employee self-entry into HIP, essentially removing employees from the process. Instead, as many as 11 hospital HR staff and staff from other units are entrusted to enter time and leave into HIP on employees' behalf. The process is highly dependent – perhaps, entirely dependent – on the accuracy of those inputting data, and the hospital has developed a labor-intensive, paper-dependent process to help ensure that the initial input of data is correct. However, by removing the employee from the process, the hospital has not only significantly increased the need for manual processes and the paper to support them, but it has also nullified many of HIP's and the SOPPs' safeguards developed specifically to ensure paycheck and system integrity. (See chart on pages 20-21 for a comparison of the HIP SOPPs and the hospital's modified HIP system.)

Furthermore, the hospital made this fundamental shift without adequately assessing risk associated with its modified procedures and without designing controls to mitigate those possible risks. Unlike the SOPPs and other HIP-related training and materials, the hospital's modified HIP system has no training of staff and no documented processes for the entry of time and leave into HIP. Although the HR Specialist was responsible for these data-entry activities, she did not review time and leave entry by staff nor did she direct the use of system-generated reports to identify potential inaccuracies. The HR Specialist, herself, was kept busy entering the pay and leave requests for certain non-directs. As a result, HR and other staff who input time and leave were left on their own to do it their own way – some input daily, others wait and input after the close of the pay period. They have also developed their own, personal "cheat sheets" featuring often-used codes and share tips and advice as they learn the system.

> **Over concerns of employees' ability and willingness to enter time correctly, the hospital decided to forego employee self-entry into HIP, essentially removing employees from the process.**

The opposite of automation

The hospital's modified HIP system begins with the printing out of a daily roster, which includes the listing of nursing staff scheduled to work that day. Each day, clerks from the Nursing Office verify time and attendance of staff by calling each nursing unit within the first two hours of every shift. They make handwritten notations on the printed roster that reflect the actual staffing on the particular shift. More specifically, they note when nurses report in or fail to report and keep track of nurses performing unscheduled work to fill staffing shortages. To make the sometimes extensive handwritten notes legible for data entry into HIP by HR staff, the clerks transcribe the daily rosters into a Microsoft Excel spreadsheet. The resulting Microsoft Excel worksheets are then passed on to the HR staff, who manually enter each employee's hours and leave into HIP for their designated units. In the hospital's version of HIP, it now takes as many as 11 people to process employee time and leave information, a job that, pre-HIP, used to take just two people to do. The HR Specialist, who was responsible for data-entry activities during our audit window, could not initially explain why the payroll process now requires much more time and resources. Several days later, she told us that before HIP, HR was responsible for entering each employee's total hours worked (including overtime) for the pay period. HIP requires the entry of hours, including daily pay adjustments.

Pushing Paper

TO MAKE the sometimes extensive handwritten notes legible for data entry into HIP by HR staff, the clerks transcribe the daily rosters into a Microsoft Excel spreadsheet. The resulting Microsoft Excel worksheets are then passed on to the data-entry staff, who manually enter each employee's hours and leave into HIP for their designated units.

SOURCE: HAWAI'I STATE HOSPITAL (REDACTED FOR PRIVACY BY OFFICE OF THE AUDITOR)

A loss of control

One of the hospital's chief concerns with the SOPPs was its employees' lack of knowledge concerning their respective bargaining unit's contract, which dictates the pay adjustments for the hours that they worked. However, the hospital did not have those same concerns about the data-entry staff, who have to know how to apply the appropriate pay adjustments for the many employees whose time they are responsible to enter. It appears that the hospital assumed that the data-entry staff would be inherently more knowledgeable and accurate than employees. The hospital did not establish policies and procedures regarding the substitute process they improvised. Also, the hospital provided little training and no guidance to data-entry staff, relying instead on staff teaching themselves how to input payable time and leave on the fly. As a result, as previously noted, data-entry staff developed their own, personal "cheat sheets" and shared tips and advice with each other as they learned the system.

ETS had created a number of training aids to facilitate the transition to employee self-entry of both time and leave, including memos, Microsoft Powerpoint presentations, and videos. Yet, the hospital seems not to have considered that its staff, like the staff of other state agencies that use HIP, could learn these procedures, even if those staff are part of a 24/7 operation that greatly differs from the operations of almost all state agencies. In addition, the hospital did not develop its own training tools to address the specific concerns relative to its staff, including, for example, how to input the correct pay adjustments.

In what appears to be a measure to help ensure correct entry of data, at the end of each pay period, the Nursing Office generates a final semi-monthly report, which it sends to data-entry staff, who may use the report to double-check that their time and leave entries off of the daily roster are consistent with the report. However, we note that while this practice, which is optional, is a possible safeguard for correct data entry, it does not ensure that the daily roster was itself correctly compiled in the first place, nor that it was subsequently reviewed and approved. The hospital never developed procedures – certainly not one that is documented – for either the data-entry staff's use of the semi-monthly report to confirm the accuracy of entries or the HR Specialist's (or another supervisor's) confirmation of such use.

Working around an important safeguard

Like the process in the SOPPs, the hospital's modified procedures include supervisor approval and, where appropriate, push back of employee time and leave. However, in the hospital's modified application of HIP, this initial and important oversight step, the employee's ability to correct or modify the request, has been nullified.

For instance, since the SOPPs are designed around employees self-entering their time and leave information, push back notifications are sent to employees. However, in the hospital's modified application of HIP, data-entry staff, not employees, enter time and leave, but the push back notice is still sent to employees who are no longer active participants in the time and leave process.

The hospital's version of HIP offers a work-around for this feature; the response to a supervisor push back – if it happens at all – usually involves the supervisor's emailing or calling the data-entry person responsible for entering time and leave for the relevant employee. The data-entry person then attempts to resolve the issue by referring to supporting documentation such as the daily roster and the semi-monthly report. According to HR data entry staff, sometimes supervisors are unfamiliar with the employee's schedule and are reluctant to approve time and leave entries. In those cases, the supervisor is encouraged to just push the button approving the entry to meet the payroll deadline, because otherwise the employee will not receive compensation.

After the supervisor approval button is pushed, the employee entries are finalized and forwarded for payroll processing.

No timekeepers/leave keepers, no safeguards

As described in the SOPPs, timekeepers/leave keepers enter time and leave on behalf of employees when they cannot do so themselves. But timekeepers/leave keepers also monitor and manage exceptions in HIP to ensure supervisors do not fail to address them. In addition, they monitor the timeliness of employee time and leave submissions and supervisor approvals.

More importantly, under the SOPPs, timekeepers/leave keepers are responsible for generating mandatory database queries to review, audit, or analyze trends, as needed. These queries are programmed requests for information that are designed to identify various anomalies and inconsistencies that could result in payroll processing delays. Although some of these are recommended, the SOPPs require 24 queries to be run at weekly, bi-weekly, monthly, and quarterly intervals. Such queries include requests for a list of employees with incomplete absence requests or inquires to identify employees who claimed overtime they may not be eligible for. While these responsibilities may appear to be ancillary, oversight, review, and audit functions are important components of an internal control system that protect an organization from fraud, waste, and abuse. And, those safeguards are intended to achieve the SOPPs' purpose of accurate and timely pay.

Work Shift

IN THE HAWAI'I STATE HOSPITAL'S implementation of HIP, the employee is absent, and the data-entry staff work overtime.

Time and Leave Responsibilities	HIP as designed by ETS		HIP as Implemented by Hawai'i State Hospital	
	Employee	Timekeeper	Employee	Data-Entry Staff
Enter leave and leave-without-pay requests	✓		✓	✓
Enter extended absence requests	✓		✓	✓
Enter time worked - Hourly or Exception Hourly	✓			✓
Enter exceptions to pay - Salary (OT, Diff, Meals, etc.)	✓			✓
Enter overtime requests	✓			✓
Enter time on behalf of an employee without access		✓		✓
Enter administrative leave		✓		✓
Process overtime to be paid/has been paid		✓		✓
Perform mandatory time audits		✓		✓

By contrast, in the hospital's modified application of HIP, data-entry staff enter time and leave on employees' behalf and now have considerably more payroll processing responsibilities. (See "Work Shift" on page 27.) Missing are the oversight functions performed by timekeepers/leave keepers as originally designed in the SOPPs. The data-entry staff are generally aware of the queries and that some are mandatory. When they do perform them, the types and frequency of queries run 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, HR data-entry staff 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.

The procedures used by the hospital to implement HIP time and leave entry are ad hoc, not documented, and lack adequate internal controls necessary to promote continuity of operations and ensure accuracy.

The hospital's process for entering time and leave into HIP requires as many as 11 staff to input time and leave data, or nine more than was needed prior to the implementation of HIP. We found that the procedures by the data-entry staff are not standardized or documented, and as a result, the procedures for entering time and leave vary between individuals. Some data-entry staff have created cheat sheets to help them enter time and leave into HIP for their assigned nursing units. Others have not. Some enter time every day; others don't and enter multiple days at the same time. In addition, instead of following the SOPPs' list of mandatory queries, the data-entry staff rely on word of mouth, discussing and sharing amongst each other what queries are most useful.

"From the beginning to now, we've learned different methods of doing the same thing," one data-entry staffer told us.

Moreover, the process to request leave in the first place differs by each hospital program. Many non-direct employees submit paper G-1 leave request forms to their program secretary, who enters the leave

requests into HIP. Direct employees were required to do the same, but a few were allowed to self-enter their leave requests directly into HIP. However, whether they are allowed to do so is left to the discretion of each nurse manager. Not left to the discretion of nurse managers is the option of employees self-entering of the pay adjustment for the hours worked into HIP. At the time of our audit, all employees, both direct or non-direct, were not allowed to enter their own hours into HIP; as described above, every hospital staff's pay requests are inputted by the 11 HR staff and others whose job responsibilities have been expanded to include inputting those requests.

The hospital's concerns of a significant number of payroll errors upon project roll-out were realized

One of the reasons that HR staff resisted the adoption of the SOPPs was the concern about the inability or willingness of employees to enter time correctly. HR feared that the resulting errors would lead to a flood of payroll overpayments. Instead of following the SOPPs' employee- and supervisor-centric model, the hospital created its own process, which requires as many as 11 employees to input every hospital employee's payable time for each day the employee worked as well as most employees' leave. The result upon rollout of the hospital's modified HIP process: a flood of overpayments.

HR staff had their own challenges applying the pay adjustments for hours worked under the collective bargaining contracts. For instance, for an hour of overtime, they were entering 1.5 hours to reflect the premium pay rate, not initially realizing that HIP applies overtime rates and other pay adjustments automatically based on the actual hours an employee worked. ETS flagged the error, questioning why data reflected some hospital staff were working more than 24 hours in a day. Although the hospital now follows ETS' instructions to enter overtime hours properly, the HR Specialist said the problem still persists.

In addition, the hospital's longstanding problem with overpayments was magnified in the first few pay cycles under HIP, as the system caught up with pay adjustments and leave requests that should have been processed in previous pay periods – resulting in hundreds of inaccurate paychecks. The Department of Health's (DOH) Director of the Office of Administrative Services (ASO) noted that hospital employees may not self-report when they are overpaid.

The hospital's overpayments stand out in DOH's monthly reports to the Department of Accounting and General Services, which include the amounts overpaid and how much has been collected. "It [monthly report] also shows those salary overpayments were not able to be collected and went through a process of 'write off' or went to a collection agency," the ASO Director said. From January through April

Instead of following the SOPPs' employee- and supervisor-centric model, the hospital created its own process, which requires as many as 11 employees to input every hospital employee's payable time ....

2023, the hospital's overpayments were approximately $46,000 and DOH had only recovered approximately $6,000.

While the hospital's HIP implementation was initially plagued by salary overpayments, the number of employees receiving overpayments has decreased significantly, remaining in the single digits each pay period since July 2022, except on January 31, 2023, when there were 10 (see "The Hawai'i State Hospital's salary overpayments are on the decline." on page 33). We cannot determine how much of this reduction in overpayments is attributable to HIP or data entry practices; however, part of the improvement may be due to data-entry staff's increasing familiarity with the system, a development that the hospital did not believe was likely with the rest of its employees.

The hospital's adoption of HIP has created a "high-volume and high-stress environment."

The hospital's rollout of HIP was marked by "grievances upon grievances" over paycheck inaccuracies, with hundreds of complaints going to hospital HR and two going to the State Ombudsman, according to the HR Specialist. According to the hospital's former Associate Administrator, the hospital administrators also had to contend with what they referred to as "really aggressive" communication from unions after the rough transition, which subsided when it became apparent the hospital was not the only state agency struggling with HIP. The hospital addressed some of the initial issues early on – such as replacing slow, outdated computers that were a "morale killer" – but additional steps have increased the burden on HR and designated data-entry staff. "I think there are more steps we need to take in order for [data entered into] HIP to be more accurate," noted an account clerk who was one of two employees responsible for compiling time and leave prior to HIP.

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. She said it varies from pay period to pay period.

According to HR staff, data entry of time is "chaotic" for unit clerks tasked with tracking 24-hour attendance on the daily roster. "We tried to alleviate the workload on section secretaries who had other things to do

as well. It was overwhelming," the HR Specialist told us.
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.

The learning curve has been steep, but "over time, staff have learned to increase their efficiency in working in a high volume and high-stress environment," data-entry staff told us in an interview. Filling vacant positions could make things more comfortable, aside from training new employees on their many duties, they said. The process "evolved itself, as people became more familiar and we went through the vicious cycle of it being a mess on the paycheck," the HR Specialist described. Now that HR staff have a better understanding of how to use HIP, the hospital is slowly increasing the number of employees allowed to use HIP's employee self-service functions to enter their own leave requests.

The HR specialist could not quantify how the level of accuracy has changed since implementing HIP, but noted, "One indication is I don't have any grievances filed."

According to the *Standards for Internal Control in the Federal Government*, published by the United States Government Accountability Office, management should implement control activities through policies, and documentation of those activities is a necessary part of an effective internal control system. Effective documentation assists in management's design of internal controls by establishing and communicating the who, what, when, where, and why of internal control execution to personnel. Documentation also provides a means to retain organizational knowledge and mitigate the risk of having that knowledge limited to a few personnel, as well as a means to communicate that knowledge as needed to external parties, such as external auditors.

The audit we wanted to do but couldn't.

According to data provided to us by ETS, inaccurate or untimely leave calculations accounted for the vast majority of hospital employee paycheck overpayments, which then have to be recovered from affected employees. From January through April 2023, the hospital's overpayments were roughly $46,000, nearly $40,000 of which was unrecovered as of May 2023. We had intended to examine data on overpayments to assess whether leave entries were being made in a timely fashion and, if not, the extent of untimely entries. Since the hospital lacked documentation, we designed our testing based on staff's description of their process.

Although the hospital's HIP data-entry staff explained to us how some of the paycheck errors occurred and provided supporting documentation for certain individual cases, we did not have sufficient evidence to determine whether these errors were anomalies or part of a systemic issue. Essentially, there was no consistent "system" for us to assess. The hospital lacks uniformly recognized and practiced policies and procedures related to HIP and no longer has centralized recordkeeping. As was described to us, "We're not following any SOPPs [standard operating policies and procedures]; we're trying to figure out how we can best report accurately." We were also informed that overpayment errors generated at the hospital level are corrected at the departmental level by DOH's Administrative Services Office.

In an effort to clarify and document the hospital's procedures for processing leave, we interviewed HIP data-entry staff and were told that employees submit paper G-1 leave request forms to HR for entry into HIP. However, it was explained to us that, because the data-entry staff prioritize time entry into HIP, some set aside the G-1 leave request forms for entry later, sometimes after the pay period had ended.

Since HIP relies heavily upon accurate and timely input of transactions into its system, setting aside G-1 leave request forms could disrupt employee leave balances and result in overpayment. This is especially the case for staff who have very low accrued balances of vacation and sick leave. These so-called "high-risk" employees, according to HR, constitute as much as a third of the hospital's direct employees. If they take leave that they no longer have or have not yet accrued, that time is considered leave without pay. With time entry prioritized over leave entry, employees' paychecks could be finalized without a full accounting of what leave, if any, is available, resulting in a possible overpayment.

To test how setting aside G-1 leave request forms could be affecting overpayments, we identified 29 employees who were overpaid at least $250 from January 1, 2023 – April 30, 2023, and reviewed their G-1 leave request forms. We traced the pay period date to the entries in HIP to determine if the leave was inputted by the HIP pay period deadline. We reviewed a total of 196 leave entries in HIP; however, before we completed our analysis, we were informed by the HR Specialist, who supervised the hospital's data-entry staff, that the hospital had stopped requiring direct staff to submit paper G-1 leave request forms (except to request compensatory time off) fewer than six months after transitioning to HIP. She explained that the G-1 leave request forms no longer flow through the data-entry staff, even though we requested and received our sample of submitted G-1 leave request forms from hospital HR. She explained to us that staff now enter leave by referring to the daily roster, which is compiled by the Nursing Office. HR relies on the Nursing

Office to verify the hours worked and leave taken for direct staff on a daily basis and does not require supplemental documentation.

The HR Specialist told us that some units still submit paper G-1 leave request forms, but HR staff no longer process all G-1 leave request forms. In addition, during another interview, the HR Specialist informed us that some nursing staff have been entering their leave requests directly into HIP, a development she never mentioned in previous interviews and visits. When we asked if this was a new hospital policy, she explained that it varies by nursing unit since the decision to allow self-entry is left to the discretion of each nurse manager. The HR Specialist was unsure of how many employees are self-entering leave into HIP or how long they have been doing so.

These inconsistent practices prevented us from drawing meaningful conclusions about the hospital's leave processes, which we were told are "evolving" to allow an increasing number of programs to input their own leave requests at some point.

The Hawaiʻi State Hospital's salary overpayments are on the decline.

It is unclear if the reduction in overpayments is due to HIP or data entry practices.

HAWAIʻI STATE HOSPITAL'S HIP implementation was initially plagued by salary overpayments, averaging 20 overpayments exceeding $250 each month from August through December 2021, but the number of these instances appears to be trending downward, according to data generated by ETS. We cannot determine if the reduction in overpayments is attributable to HIP or data entry practices – overpayments often occur when leave without pay is not timely reported – but the data indicates that the number of employees receiving overpayments has remained in the single digits each pay period since July 2022, except on January 31, 2023, when there were 10.

While overpayments have been the larger concern for the State, underpayments occur more often. The hospital made more than 700 underpayment adjustments for the first four pay cycles using HIP, generally due to late entries for working condition differentials, overtime, meals, and pay increases, but underpayments have become less frequent. With one exception due to scheduled retroactive payments for nearly 500 union members, underpayments in amounts over $250 have affected an average of 37 employees per pay period since October 20, 2021.
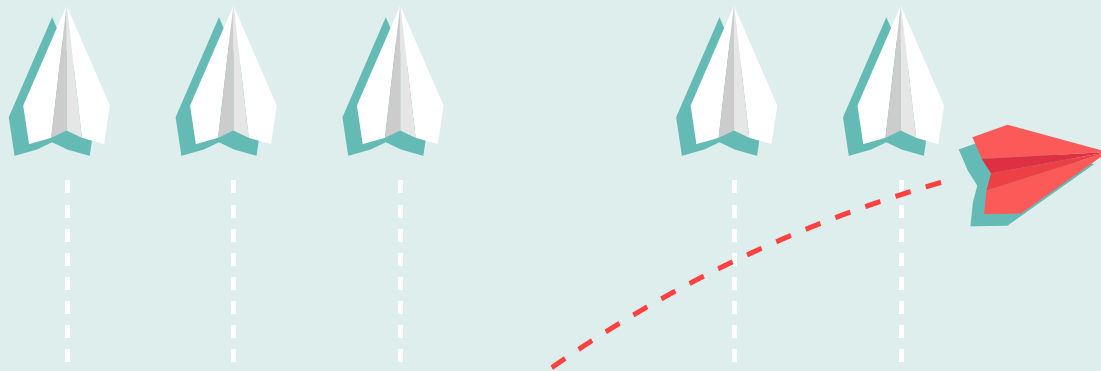
Unfinished Business

The HIP Time and Leave Project Closure Report's list of open issues includes lack of operational participation and decision-making by the Department of Accounting and General Services (DAGS) and Department of Human Resources Development, as well as the necessity for Hawaiʻi State Hospital to implement an automated time clock system to eliminate manual payroll entry.

WHEN THE OFFICE OF ENTERPRISE TECHNOLOGY SERVICES (ETS) submitted its October 2021 closure report for HIP's Time and Leave Project, it marked the completion of the State's first automated workflow system and brought state agencies into uniform compliance with federal Department of Labor overtime regulations. ETS touted other outcomes, as well, including rules-based automation of most payroll processes and leave accruals, standardization of gross pay calculations, and system checks on timesheets to catch frequent user errors and violations.

However, ETS noted not all state departments and jurisdictions participated in the implementation of the new time- and leave-keeping system, including the University of Hawaiʻi, Department of Education, and Judiciary. Hawaiʻi Health Systems Corp (HHSC) also opted out of using the system. HHSC, a statewide network of hospitals and clinics, initially wanted each of its regions to have a different installation of HIP's time and leave features – some wanted the system as designed, but others did not want to switch from the Kronos timekeeping system they had already paid to implement. (See "Timed Out" on pages 8-9.)

ETS also noted that, "The lack of operational participation and decision-making was a serious challenge for the project. The project sponsor, the Accounting Division Administrator, attended none of the hundreds of project meetings in the design and deployment phases of the project that they were invited to. This resulted in the ETS project team and [ETS's contractor] CRT [CherryRoad Technologies, Inc.] addressing all operational risks and issues and making key decisions, without any operational buy-in

and support. Additionally, for the design phase of the project, DAGS Accounting had not designated any staff member for participation in the project. As a result, no one in DAGS Accounting operations participated in PeopleSoft training, conference room pilots, design discussions with departments and stakeholders, or basic design decisions."

According to ETS, during the last phase of development, key Department of Human Resources Development personnel reached out to ETS project staff to understand not only what had been implemented, but also to criticize the project, complaining that they had not been consulted. However, ETS noted that, because of "very minimal [Department of Human Resources Development] engagement," the Department of Human Resources Development was instructing departments to continue to use paper forms – despite already having in place automated processes designed to eliminate the need for such paper. In addition, departments had expressed to ETS that they were getting differing advice and instructions from DAGS and the Department of Human Resources Development, both of which were unaware of how the system had been implemented and were "out-of-sync with each other."

Specific to the Hawaiʻi State Hospital, ETS highlighted the necessity of implementing Kronos time capture technology to eliminate manual entry. The closure report encouraged the State to work with the system integrator, CherryRoad Technologies, Inc., to implement the outstanding elements with services the vendor provided through October 2023.

Conclusion

The State's payroll modernization project was designed to replace a mainframe payroll system that was more than 40 years old. The new system, accessed through HIP, expanded functionality, more accurately computed payroll, and incorporated direct deposit capabilities, electronic W-2 forms, electronic pay statements, and employee self-service features designed to help employees access their own information relating to payroll.

However, the hospital decided that HIP's employee self-entry features would not work for its staff, particularly its shift workers who are entitled to several types of premium pay at rates that vary by collective bargaining unit. Instead of taking advantage of the employee self-service features, the hospital designated nearly a dozen data-entry staff to record employee attendance into HIP. Now, the payroll process is even more labor intensive than before, and the paper is still flowing.

HIP was viewed as a significant opportunity to transform the culture of government by creating more efficient, less paper-dependent processes. However, instead of creating a new culture in government, the hospital's modified HIP system embraces the old one.

Recommendations

Relating to entry of hospital staff's pay differentials (i.e., entry of time), the Hawai'i State Hospital should:

1. Require hospital staff to enter their own pay differentials, i.e., adjustments to their payable time, into HIP, whether manually or through use of an application such as Kronos time clocks.

2. Explore implementing a time clock application that will (1) interface with HIP; and (2) automatically capture employee hours and calculate the appropriate pay differentials based on those hours.

3. Develop education and training for hospital staff, both in-person and written guidance, to implement hospital staff's self-entry of pay differentials into HIP.

4. Develop documented policies and procedures relating to hospital staff's entering their pay differentials into HIP. Those policies and procedures should include, among other things, the process to be used by hospital staff to enter information into HIP, including when employees are expected to enter that information, as well as the process to be used by supervisors in reviewing and approving staff's entries.

5.   Consider following HIP's SOPPs relating to employee self-entry of pay differentials; if the hospital does not follow the SOPPs (or deviates from any part of the SOPPs), the hospital should develop controls (i.e., safeguards) to ensure the accuracy of pay differentials entered by staff.

6.   If the hospital elects to follow HIP's SOPPs, the hospital should document supervisors' responsibility to ensure that pay differentials entered by staff are accurate before approving the entries for payroll processing.

Relating to entry of hospital staff's leave, the Hawaiʻi State Hospital should:

7.   Require hospital staff to enter their own leave requests into HIP.

8.   Eliminate use of the paper G-1 form for leave requests.

9.   Provide hospital staff with education and training regarding the HIP leave process, including entry of leave requests.

10.   Adopt and follow HIP's SOPPs relating to leave requests, including supervisor review and approval of requests.

11.   Develop documented policies and procedures relating to hospital staff's entering their leave requests through HIP. Those policies and procedures should include, among other things, the process to be used by hospital staff to enter leave requests into HIP, including when employees are expected to enter that information, as well as the process to be used by supervisors in reviewing and approving staff's entries and the time by which supervisors must do so.

Office of the Auditor's Response on the Hawaiʻi State Hospital's Comments to the Audit

W e provided a draft of the report to the Department of Health (DOH) and the Hawaiʻi State Hospital (the hospital) on December 22, 2023 and met via videoconference with the DOH Deputy Director of Behavioral Health, the hospital Administrator, and other DOH and hospital officials to discuss our audit findings.[1] The hospital subsequently provided a written response to the draft report, which is included in its entirety as Attachment 1.

In its response, the hospital agrees that its existing timekeeping and reporting system is "inadequate and in need of change." However, while the hospital represents that it is "fully committed" to implementing improvements, that commitment is limited to its non-direct care staff, i.e., salaried employees who work "regular hours." Those employees make up approximately 30 percent of the hospital's workforce and account for 0 percent of the problems we identified in our report.

We recognize that the administrator and other upper management at the hospital are new to their roles and were not in their current positions when the hospital elected to implement HIP using its own procedures. We found that the decision to disregard the Standard Operating Policies and Procedures developed by the Office of Enterprise Technology Services (ETS) and to use its own procedures created inefficiencies and a process lacking important controls to ensure the accuracy of employee pay. However, the hospital's comments to the audit report reflect either a disregard of, or failure to understand, the serious issues with its current process of having a group of 11 employees enter time for all its direct care staff. In addition to the substantial resources needed to input time and leave requests as well as the lack of necessary safeguards, the process has stressed staff tasked with entering the time and leave requests. Perhaps more importantly, the hospital's response seems to signal a "business-as-usual" approach that, in our view, is neither

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[1] We are compelled to note that, during the exit conference meeting, none of the attendees raised the issues contained in the hospital's attached written response. As we had explained, the purpose of the meeting was to discuss the draft report, specifically concerns or disagreements that they had with the draft. The hospital's decision to withhold comment and express its concerns about the draft for the first time in its written response did not allow us to discuss those concerns and, more importantly, to correct confusion the hospital seems to have about the audit findings.

reasonable nor appropriate. We strongly urge the hospital to reconsider what appears to be its decision to continue entering time and leave for all direct care staff.

24/7 Nature of the Hospital's Operations

According to the hospital, "HIP only recognizes the standard Monday through Friday business hour schedule and does not meet the needs of a 24/7 operation." That statement, however, is unsupported and belied by the hospital's use of HIP for the time and leave requests of its direct care staff. The hospital's 11 HR and other staff have been inputting hospital employees' time into HIP since August of 2021, including for direct care staff working 24/7 shifts. For every employee, they select the appropriate Time Reporting Codes (TRCs) from a drop-down menu and enter the appropriate number of hours or other information associated with the specific TRC.[2]

While most salaried employees do not enter the time that they worked into the system, HIP clearly is designed to – and does – allow entry of time and leave by employees, such as the hospital's direct care staff, who work non-standard hours and are entitled to additions to their pay for those hours.

The hospital's statement about HIP's design ignores what seems to have been the actual factor motivating the decision to develop its own procedures to implement HIP and what may be influencing the hospital's current resistance to allowing its direct care staff to input their own time – the hospital either does not trust that its staff is able to learn how to enter the appropriate TRCs associated with their hours or is concerned that some staff will intentionally manipulate the reporting for their financial benefit. The hospital's HR Specialist explained her justification for diverting from HIP's intended self-entry process, saying "there was not a level of trust that staff would be thoroughly honest." The HR Specialist is no longer employed at the hospital, but her concern seems to be driving the hospital's current position to continue entering every direct care employee's time into HIP.

While we recommend that all employees, including direct care staff, enter their own time and pay differentials, we also recommend that the hospital develop controls to successfully implement HIP, as ETS intended. Those controls are intended to, among other things, address the hospital's concern about its staff's ability to enter their own time – as well as the integrity of its staff. Specifically, we recommend the hospital provide education and training for its staff about the pay

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[2] The TRCs are the "differentials," which are exceptions (mostly additions) to an employee's base pay, for overtime work, being called back to work, and working between 6 p.m. and 6 a.m., for example.

differentials to which they are entitled and *how* to input that information in HIP; we recommend the hospital document policies and procedures to guide its staff on entering pay differentials and time in HIP as well as to instruct supervisors how to fulfill their responsibilities to review information inputted by staff; we recommend the hospital management inform supervisors of the importance of their review and approval responsibilities to ensure the accuracy of employee pay.

We note that, by continuing to input every direct care employee's time, the hospital's use of HIP will continue to be highly inefficient and lack controls necessary to ensure the accuracy of employee pay. In other words, the hospital's adaptation of HIP does not achieve the system's intended purpose – to modernize the State's time and leave process. We also note that the hospital's comments do not address the 11 HR and other staff inputting leave requests for most employees. Like pay, HIP is premised on employees entering their own leave requests. Because the hospital's implementation of HIP prioritizes pay, we found that leave requests are often entered into HIP untimely, which can result in overpayments for those employees with little to no accrued leave balances. And, DOH has struggled to recoup those overpayments.

UKG/KRONOS

The hospital expresses reservations about implementing UKG (formerly known as Kronos) time clocks that would automatically capture hospital staff's hours based on when staff "swiped in" and "swiped out" using their security badges without the need to manually input those hours by the employees themselves or by the 11 HR and other staff currently tasked with that responsibility. The hospital states that the UKG application may not resolve its time and leave challenges, maintaining that implementing of the application is a "complex and lengthy process," that the UKG program entails substantial cost, and that the UKG program does not directly interface with HIP.

To be clear, our recommendation is that the hospital require its employees, including direct staff, to enter their own pay differentials (and leave requests) in HIP, "whether manually or through use of an application *such as [UKG] time clocks*." While we do believe an automated time capture application will address the hospital's concerns with employees entering their own pay differentials, will create a much more efficient payroll process, will eliminate inputting errors, and will significantly reduce the burden and stress on the 11 HR and other staff currently tasked with inputting every direct employee's pay differentials, we are *not* recommending that the hospital purchase and use UKG's time capture application; rather, our reference to UKG (which we referred to as Kronos in the report) is an example of an application that we understand can capture the hours employees work and be programmed to calculate pay, including the appropriate differentials,

based on those hours. However, it is management's responsibility to decide whether an automated time-capture application is in the hospital's interest and, if so, to determine the appropriate application; it is management's responsibility to find funding for an automated time-capture application, as necessary. It is also management's responsibility to effectively oversee hospital operations, which includes ensuring that payroll is being processed efficiently and employees are paid timely and accurately based on the hours that they actually worked.

Second, it was *the hospital's stated intent* to integrate UKG into its implementation of HIP before the roll out; UKG is *not* our idea. According to the ETS Senior Project Manager, who served as HIP's project manager, before HIP was rolled out, her team and the hospital discussed the hospital's use of UKG (then called Kronos) time clocks that would be interfaced with HIP to, among other things, "eliminate manual entry" and fully automate the hospital's payroll systems. Her team made UKG time clocks a project requirement after the Department of Health's Chief Information Officer informed her *at the very beginning of the project* that UKG clocks would be a part of the hospital's implementation of HIP. During HIP's design stage, project developers provided the hospital and the UKG vendor with the specifications for the integration of UKG with HIP. However, according to the Senior Project Manager, subsequent inquiries by ETS project staff on the status of Kronos implementation went unanswered by the hospital. In fact, in a closing report issued by ETS at the conclusion of the HIP project, ETS identified Kronos time integration for the hospital "to eliminate manual entry" as one of the project's "unfinished work" that was "thought of as beneficial to the long-term success of the Time and Leave functions in HIP." The hospital's HR Specialist agreed that integrating Kronos time with HIP would be a "game changer."

We were told that the hospital likely did not pursue the use of the automated time capture because of its concern that its use would be met by heavy resistance from employee unions. The purpose of including information about the implementation of Kronos by the Hawai'i Health Systems Corporation, East Hawai'i Region, is to show not only that the use of the automated time capture application has greatly improved the region's payroll process but also to address the concern about union objections. Like the hospital's direct staff, nurses employed by the Hawai'i Health Systems Corporation, East Hawai'i Region belong to multiple collective bargaining units and are entitled to "dozens and dozens" of negotiated pay differentials. While the region experienced resistance from the unions, which are the same unions that represent the hospital's direct care staff, the amount of resistance has decreased significantly as other Hawai'i Health Systems Corporation hospitals adopted Kronos.

While we do not know the complexity of integrating UKG into the HIP system, the ETS Senior Project Manager told us that PeopleSoft, which is an Oracle application upon which HIP is built, "offers a very popular integration with Kronos."

Lastly, in its closing paragraph, the hospital represents that it "shares the same goal of compliant, efficient, and accurate operations," which it states it is committed to ensuring. However, a business-as-usual approach, at least with respect to its direct care staff, does not seem to reflect that commitment. To improve its implementation of HIP – i.e., to process pay and leave efficiently and accurately – we question the hospital's continued reliance on HR and other staff to manually input every direct care employee's time and leave requests. HIP is premised on timely and accurate employee self-entry of both. And, until the hospital allows its employees, including its direct care staff, to do so – and develops the procedures and controls to support that implementation – we believe that the makeshift procedures that the hospital created will not achieve the intended purpose of modernizing the time and leave process and ultimately wastes state resources.

JOSH GREEN, M.D.
GOVERNOR OF HAWAIʻI
KE KIAʻĀINA O KA MOKUʻĀINA ʻO HAWAIʻI

KENNETH S. FINK, MD, MGA, MPH
DIRECTOR OF HEALTH
KA LUNA HOʻOKELE

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DEPARTMENT OF HEALTH
KA ʻOIHANA OLAKINO

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KĀNEʻOHE, HAWAIʻI 96744-3528

January 12, 2024

VIA EMAIL (les.kondo@hawaii.gov)

Mr. Leslie H. Kondo
State Auditor
Office of the Auditor
465 S. King Street, Room 500
Honolulu, HI 96813-2917

Re: Review of Audit Recommendations Made in the Audit of the Hawaii State Hospital's
        Implementation of the Hawaii Information Portal

Dear Mr. Kondo:

Thank you for allowing us to review and respond to the draft audit of the Hawaiʻi State
Hospital's (HSH) Implementation of the Hawaiʻi Information Portal (HIP). HSH has reviewed the
State Auditor's outlined recommendations and is in agreement that the existing timekeeping
and reporting system being utilized at the hospital is inadequate and in need of change. HSH is
fully committed to implementing improvements and has already started some of the solutions
proposed in the draft report. For HSH staff who work regular hours, we are actively working on
transitioning for those employees to directly enter information into HIP. However, in our
assessment, HIP is not currently designed for 24/7 operations.

To ensure efficient execution, HSH has established a dedicated core team (HIP Implementation
Team) to oversee the implementation of these necessary changes for staff that work regular
weekday schedules. As part of the hospital's initial steps, we have developed comprehensive
training materials, including "cheat" sheets, and instructional videos, to facilitate the
understanding and adoption of the new procedures. Moreover, we have initiated the first

phases of implementation, with staff actively engaging in inputting their own time and leave. This approach allows us to methodically integrate the changes while ensuring a smooth transition for our staff.

HSH would like to emphasize that despite being one of the State's most extensive and ambitious IT modernization initiatives aimed at revolutionizing the State's payroll, time and leave system, for round-the-clock operations, HIP falls short of its transformative objectives. HIP only recognizes the standard Monday through Friday business hour schedule and does not meet the needs of a 24/7 operation. The system does not automatically recognize shift hours, shift schedules, working conditions, and fringe benefits outlined in union contracts. This shortfall contributes significantly to the current situation at the hospital.

While it's suggested that the Hawaii Health System Corporation (HHSC) has found a way to use HIP, the report states that HHSC is not using HIP directly and is instead using KRONOS. While KRONOS can effectively manage scheduling, it is important to acknowledge that the KRONOS program alone may not resolve our existing time and leave challenges. After consulting with HHSC, the HSH HIP Implementation Team learned the following:
1) Implementing UKG (formerly KRONOS) is a complex and lengthy process.
2) The UKG program entails substantial cost.
3) The UKG program does not directly interface with HIP.

It was reported that at an HHSC hospital, a dedicated team of 7 individuals serves as the interface between UKG and HIP. This interface relies on paper-based processes and these team members audit time and leave for 1,600 employees. HSH will continue discussions with HHSC to further explore their use of the UKG program for time and leave monitoring. By leveraging insights from their experiences and adopting best practices, HSH aims to enhance and tailor our approach to better meet our specific needs.

HSH seeks to ensure that our staff are paid timely and correctly in as efficient a manner as possible, and we welcome such an accurate user-friendly system. We agree that this is the case for those who work regular weekday hours, and we are actively transitioning to their use of HIP. However, we do not agree it's been demonstrated that HIP in its current configuration efficiently supports 24/7 operations, although the use of KRONOS may reduce some burden.

We will explore the benefit of utilizing KRONOS, the additional funding needed for implementation, and the expected reduction in manual processing. Alternatively or additionally, reprogramming the HIP system to cater to the specific requirements of the hospital and other 24/7 state agency operations could be pursued to improve the efficiency and accuracy of time and leave calculation and monitoring. Such programming must ensure the system recognizes shift hours, shift schedules, working conditions, and fringe benefits outlined in labor contracts. Our employees deserve correct payment and benefits.

January 12, 2024
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Again, HSH genuinely appreciates the guidance provided in your report and the opportunity to comment. We share the same goal of compliant, efficient and accurate operations, and we are committed to ensuring that.

Sincerely,

Naomi Yanagishita

Naomi Yanagishita, MHA
Acting Associate Administrator
Support Services
Hawaii State Hospital

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Appendix

Audit Impetus, Objectives, Scope and Methodology, Criteria, and Prior Audits

Impetus

We conducted this audit pursuant to Senate Concurrent Resolution No. 82 (2022 Regular Session). The resolution requires the Auditor to conduct a performance audit of the Hawaiʻi Information Portal (HIP), including an assessment of relevant Department of Health (DOH) and Hawaiʻi State Hospital procedures, recommendations on any further actions needed, and any proposed legislation. Recent reports of patient assaults on Hawaiʻi State Hospital staff, including one fatal assault, fall outside the Resolution's scope and our audit window.

Objectives

Based on our planning interviews, walkthroughs, site visits, and preliminary documents provided by DOH, Hawaiʻi State Hospital's Human Resources Office, the Office of Enterprise and Technology Services (ETS), and other sources during our planning work, we developed the following audit objectives, which relate to the Hawaiʻi State Hospital's human resources policies and procedures regarding the implementation of HIP:

1. Assess the use of HIP for employee time and leave by the Hawaiʻi State Hospital (in conjunction with DOH's Administrative Services Office) to ensure the Hawaiʻi State Hospital meets the following objectives:

    a. Employees receive compensation based on hours worked;

    b. Payroll is calculated accurately based on timely entries of leave and other pay types; and

    c. Operations are maintained in an efficient manner.

2. Make recommendations as appropriate.

Scope and Methodology

Senate Current Resolution No. 82 (2022 Regular Session) (SCR 82) requested the Auditor to conduct a performance audit of the Hawaiʻi Information Portal as well as the procedures used by the Hawaiʻi State Hospital and the Department of Health "relating to the Hawaiʻi Information Portal" and the department's role relating to processing hospital employees' payroll and leave through the Hawaiʻi Information Portal. Accordingly, our audit focused on the procedures adopted by the Hawaiʻi State Hospital and the Department of Health relating to the Hawaiʻi Information Portal from August 1, 2021 through March 31, 2023 (as well as prior years and the current fiscal year where appropriate).

We researched the history of the Hawaii State Hospital and the Hawai'i Information Portal. We obtained and reviewed documents relating to the Hawai'i Information Portal including the Time and Leave Standard Operating Policies and Procedures and training videos developed by the Office of Enterprise Technology Services, memoranda to agencies, Hawai'i State Hospital documents and records including those used to document employee time and leave requests, over- and under-payment reports, and other documents related to the Hawai'i State Hospital's implementation of the Hawai'i Information Portal.

We interviewed representatives from the Department of Health and the Hawai'i State Hospital, employees of the Office of Enterprise Technology Services, and other stakeholders to identify key activities and assess the risk therein. Specifically, we interviewed: Hawai'i State Hospital management and staff including the Administrator, the Associate Administrator, the Human Resources Specialist, an Account Clerk, a Secretary, a Nurse Manager, a Nursing Office Supervisor, and an Office Assistant; the Department of Health Business Management Officer; the Office of Enterprise Technology Services staff including the HIP Senior Project Manager and a Systems Analysis Manager; and members of the Hawai'i Health Systems Corporation East Hawai'i team including a Human Resources analyst, the Payroll Manager, the Regional Controller, the Human Resources Regional Chief, the Chief Financial Officer Payroll, and the UKG Administrator.

Our audit was conducted from September 16, 2022 to August 24, 2023, and pursuant to 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.

Criteria

This performance audit broadly concerns the Hawai'i State Hospital's implementation of the time and leave (or attendance) module of the Enterprise Payroll and Time & Attendance Modernization project, which features software to track time and leave.

While no federal law or regulation, or state law or regulation, appears to directly control HIP or the hospital's use of the system, HIP is intended to modernize the State's pay and leave system, transitioning from a paper-intensive system to one that is primarily web-based. That transition is intended to make payroll more accurate, based on hours worked, and to improve the efficiency of agency pay and leave processes. ETS and the Department of Accounting and General Services created *HIP – Time & Leave Standard Operating Policies and Procedures* (SOPPs) to achieve this overall purpose. Instead, the Hawai'i State Hospital modified HIP to address its concerns over

employee self-entry of time and leave into HIP, a hallmark of the system. Therefore, we developed audit objectives that reflect ETS's goals for HIP, as contained in the HIP SOPPs, and assessed Hawaiʻi State Hospital's implementation against those criteria.

Prior Audits

This is our third performance audit of the Department of Health's Hawaiʻi State Hospital since 1971. Our most recent performance audit of the Hawaiʻi State Hospital was published in December 1995, as Report No. 95-34, *Management and Fiscal Audit of the Hawaiʻi State Hospital*. Our audit objectives for Report No. 95-34 were to (1) determine whether the Hawaiʻi State Hospital was managed to reflect its mission, functions, and responsibilities; (2) determine whether the Hawaiʻi State Hospital's fiscal activities are appropriate, reasonable, and provide useful financial information; and (3) make recommendations as appropriate. At the time, we found the hospital had a history of poor personnel management that negatively impacted hospital operations. We also found the hospital's financial management and stewardship of state property were weak, the hospital had not exercised prudence in its heavily subsidized employee meals program, and the hospital needed to address problems associated with its forensic (court-ordered) population.

At the time, we concluded that although the Department of Health and the Hawaiʻi State Hospital management had begun to address the myriad problems that plagued the hospital, codification of clear personnel policies and procedures for the hospital should be given top priority and management should use hospital administrative staff more effectively. We also concluded that DOH should train hospital management to oversee and approve all hospital purchases, payroll, and contracts; and that lax inventory practices should cease and stronger controls be instituted.

In August 1997, our office issued Report No. 97-11, *Follow-Up Audit of the Hawaiʻi State Hospital*. At the time, we found that although the Hawaiʻi State Hospital had improved its management of personnel, problems with employee absenteeism, overtime, and evaluations continued. Although hospital management had begun to review and approve purchases, management's oversight and administration of its payroll functions remained deficient. We found the practice of subsidizing meals remained questionable due to inadequate controls over the number of take-outs and the relatively low price of the meals. We also found controls over inventories of gas, food supplies, and linen and clothing items had been strengthened, but some controls were not applied consistently. Finally, the hospital had begun to address problems associated with its forensic population.