The University of Texas Medical Branch
Audit Services

Audit Report

Payroll Time and Attendance

Engagement Number 2024-011

July 2025

Background

The Payroll Time and Attendance audit was included in the Fiscal Year 2024 Audit Plan with the goal of evaluating the effectiveness of internal controls implemented by Payroll Services to ensure the proper calculation of disbursements based on Kronos time and attendance entries for non-exempt employees.

Payroll Services is responsible for processing all payroll for biweekly and monthly paid employees including the management of all withholdings and deductions as required by federal, state, and local government. The Payroll Services department includes one director, two managers, and 14 full time financial analysts/specialists. The payroll team works to ensure disbursements accurately reflect time worked and the UTMB Health workforce is accurately compensated in a timely manner while providing efficient and reliable reporting to internal and external stakeholders.

Payroll Process

UTMB Health on average produces 71,000 line items of earnings disbursements on a biweekly basis totaling out to $684 million in non-exempt disbursements annually. The non-exempt work force accounted for 68% of the total earnings disbursements of $1 billion, in calendar year 2024. These disbursements include various pay earning codes that are utilized in appropriately calculating employee earnings. In the calculation of overtime, Payroll Services utilize the Kronos Timekeeping System and PeopleSoft Human Capital Management (HCM) system to incorporate many different pay codes to obtain the appropriate overtime rate in accordance with federal and state Fair Labor Standards

Kronos → HCM → Disbursement
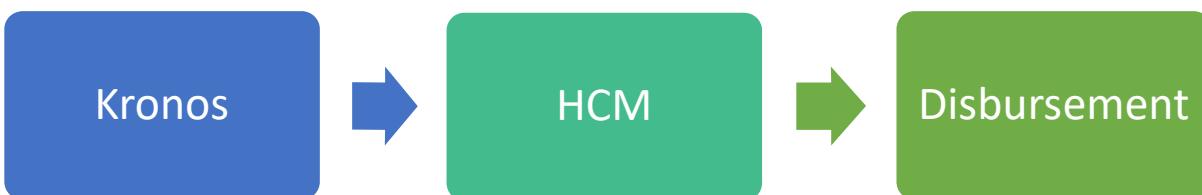
Non-exempt employees are required to record all hours worked and any exception time on a biweekly basis in Kronos. The employee is solely responsible for ensuring their time is entered correctly and approved prior to payroll processing. This includes the review of all shift differentials, critical/high needs pay, and other specialty pay situations. Recording of non-exempt time can be performed using badge kiosks available across campuses 24 hours a day or by using the Kronos computer application. On a biweekly basis, non-exempt employees record more than one million hours in the Kronos system.

Non-Exempt Earnings Distribution
Calendar Year 2024

Regular Pay & Longevity, $503,452,514 , 74%

PTO/Holiday/Leave, $78,743,789 , 11%

Overtime, $46,611,518 , 7%

Differential & High Needs, $23,784,371 , 3%

Other, $31,276,670 , 5%
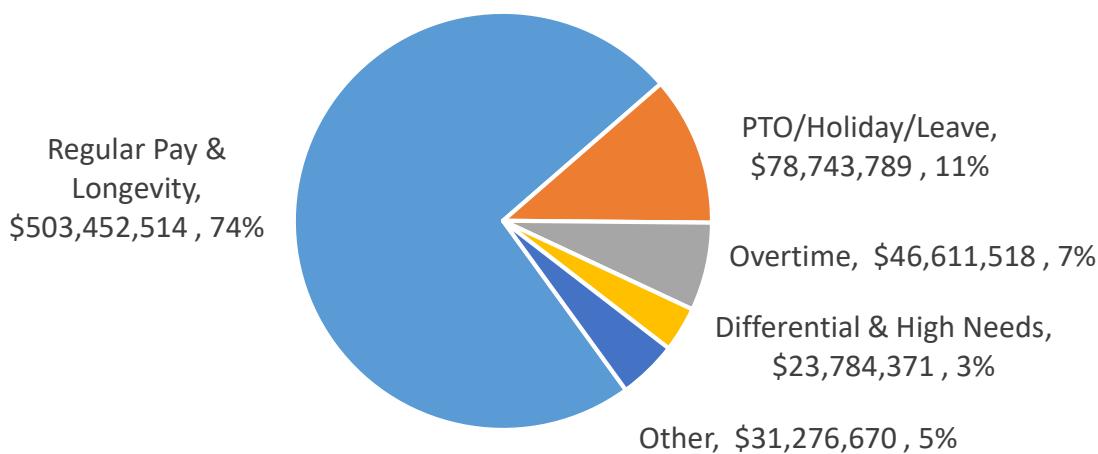
Subsequent to the employee approval, managers or timekeepers are then required to review and approve timecards for all of their employees. Regardless of employee, manager and timekeeper approvals, a global sign off is performed by Payroll Services prior to running payroll for the period. This ensures a disbursement is paid for active employees based on the last updated Kronos timecard data. The Kronos timekeeping system interfaces with PeopleSoft Human Capital Management (HCM) to produce the needed payroll data for processing. Throughout this interface, Payroll Services utilizes various exception reports and discrepancy identifiers to ensure capture of the latest real time data. Payroll Services has implemented detection and prevention controls to further ensure payroll disbursements are accurate and timely reflect hours worked. In calendar year 2024, non-exempt employees utilized 120 earning codes.

Top Ten Non-Exempt Earning Codes
Calendar Year 2024
(in millions)

$50.4 — Paid Time Off
$46.6 — Overtime
$18.4 — Holiday
$11.6 — Orientation
$9.4 — Longevity Pay
$8.0 — Longevity Pay for FLSA
$6.5 — Night Shift
$6.4 — CMC Nursing Acuity
$5.1 — EIB Direct Access
$4.9 — EIB Taken

Excludes Regular Pay

In addition to relying on automated reporting and interfacing, Payroll Services has taken great strides in reducing the possibility of timecard errors prior to submission. Key metrics put into place include reducing the number of leave options within Kronos for employees to select, establishing a tiered accrual priority structure that automatically utilizes the correct leave types first, and communicating identified exceptions and how to correct them. Additionally, Payroll Services and Human Resources have established Power BI accrual reports to support accrual management and providing structured learning opportunities to managers and above regarding leave accruals, timekeeping best practices, and other UTMB Health specific policies and procedures.

Objective, Scope, and Methodology

The audit aimed to evaluate the effectiveness of internal controls implemented by Payroll Services to ensure the proper calculation of disbursements based on Kronos time and attendance entries. The audit covered employee timecards and payroll disbursements for the calendar year (CY) 2024. Additionally, a detailed review was performed with a focus on non-exempt employees and top overtime earners. Data analytics were utilized to detail review 100% of calendar year 2023 and calendar year 2024 transactions. We performed the following procedures:

- Evaluated time and attendance and payroll processing policies and procedures.
- Conducted interviews with Payroll Services to gain an understanding of the payroll process and determine compliance with established policies and procedures.

- Utilized data analytics to compare timecard reports to paid hours.
- Recalculated timecard hours and earnings for top overtime earners.
- Compared timecard calculations to UTMB Health policy to validate proper application of shift differential pay.
- Analyzed CY23 and CY24 non-exempt payroll transactions to identify anomalies in pay codes, hours recorded, pay rates, and gross pay.
- Reviewed Kronos timekeeping records to detect patterns or irregularities in hours worked and supervisory approvals.

Executive Summary

The audit of Payroll Time and Attendance added valuable insight into the robust calculations of overtime compensation within the non-exempt employee population. Audit Services' review and reperformance of selected payroll periods did not identify control weaknesses or process gaps.

Detailed Results

Recalculation of Total Paid Earnings
The overtime calculation is generated by computing a new hourly rate that includes eligible pay codes to ensure the employee is compensated correctly for all hours. To reperform this calculation combines all eligible pay code earnings for the period with the regular hours earnings and multiply the overtime hours by the regular hourly rate. This will provide a total compensation amount which is divided by the total hours worked (regular plus overtime). Once the new hourly rate is obtained, a .5 multiplier per Department of Labor standards is applied (overtime shall be paid at a minimum of 1.5 times the hourly rate). This new "overtime premium" is then added to the original hourly rate to obtain the overtime rate after incorporating all eligible pay codes.

In the reperformance of this calculation on selected top overtime earners from calendar year 2024, we identified zero exceptions.

Conclusion

We greatly appreciate the assistance provided by Payroll Services and hope that the information presented in our report is beneficial.

This audit was conducted in conformance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. Additionally, we conducted the audit in accordance with 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions on our audit objectives.

Observation Ratings

Priority	An issue that, if not addressed timely, has a high probability to directly impact achievement of a strategic or important operational objective of the University or the UT System as a whole.
High	An issue considered to have a medium to high probability of adverse effects to a significant office or business process or to the University as a whole.
Medium	An issue considered to have a low to medium probability of adverse effects to an office or business process or to the University as a whole.
Low	An issue considered to have minimal probability of adverse effects to an office or business process or to the University as a whole.

Report Date:

July 18, 2025

Report Distribution:

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UTMB Health Institutional Audit Committee