

INTERNAL AUDIT REPORT

Operational Audit
Time Approval Controls

January 2023 – April 2024



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INTERNAL AUDIT

Executive Summary

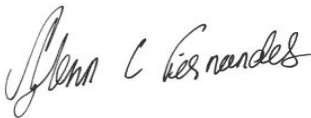
Internal Audit (IA) completed an audit of the Time Approval Controls for the period January 2023 through April 2024. The audit was performed to assess the effectiveness of internal controls related to time entry and approval. The audit scope was determined based on our risk assessment procedures, as well as our preliminary interviews with various Port managers.

Port of Seattle (Port) payroll costs are the largest operating costs, representing a little over 60% of total operating costs. Payroll costs are budgeted to increase in 2024 by approximately \$29 million to \$384 million. The Port has disparate systems, collective bargaining agreements with multiple pay codes, and both hourly and salaried employees. This creates obstacles to establishing one process that is systematically understood and followed by all departments.

Our audit focused only on Aviation Maintenance and in general, we concluded that Port management's internal controls aligned with policies and procedures. However, our audit identified opportunities where internal controls could be enhanced or developed. These opportunities are listed below and discussed in more detail beginning on page six of this report.

- 1. (High) There is no formal review and approval process performed over employees' timesheets assuring the accuracy of hours submitted every pay period.**
- 2. (High) A policy limit to control the amount of overtime employees work has not been established. Without a limit, the likelihood of accidents could increase, and employee well-being could decline due to individuals who work excessive hours.**
- 3. (Low) During testing, Internal Audit noted that for some of our selections, supporting documentation was missing and/or unavailable.**

We extend our appreciation to Port management and staff for their assistance and cooperation during this audit.



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Responsible Management Team

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Background

The Port of Seattle (Port) employs approximately 2,532 people, comprised of both represented and non-represented employees. Internal Audit determined the appropriate scope based on our risk assessment procedures, as well as preliminary interviews with managers from different departments within the Port. As such, this audit primarily focuses on Aviation Maintenance (AVM), specifically represented hourly employees within the department. As seen in the table below, AVM is comprised of 421 total employees. Our audit focuses on the three departments with the largest headcount: AV Electrical & Electronic Sys, AV Mechanical Systems, and Facility, Fleet, Sys & Grounds.

Department	Number of Employees
AV Electrical & Electronic Sys	135
AV Maint Asset Mgt & Logistics	41
AV Maint Business & Fin Mgmt	1
AV Mechanical Systems	124
Facility Service Contract Mgmt	4
Facility, Fleet, Sys & Grounds	116
Total AVM Employees:	421

At the end of every shift, hourly represented employees are supposed to enter their hours worked in Maximo prior to leaving, with the exception of a handful that submit directly to PeopleSoft. Hours in Maximo, including any overtime, vacation, sick leave, etc., are tracked and linked to specific work orders. Ideally, supervisors (such as crew chiefs and chief foremen) review their crew's time on a weekly basis to verify the accuracy of hours submitted. Then, at the end of every 2 weeks, everyone's time is submitted in Maximo and reviewed by the AVM Time Administrator.

The AVM Time Administrator runs various reports to check each employee's timesheet, particularly as to whether each employee has at least 40 regular straight time hours submitted for each week in the pay period, whether each employee has at least 8 or 10 straight time hours a day, and whether or not the proper combination of pay codes are being used to report the different types of hours worked in the period. When errors are spotted and needed to be corrected, the Time Administrator emails the respective chief foreman and employee, as well as the manager, of the affected department. Due to the required quick turnaround in order to process payroll timely, the managers will either investigate and make the necessary adjustments themselves (by adding a note in Maximo to explain the change made or emailing each employee directly) or they will have the affected employee make the adjustments by themselves. In 2023, there were over 3,400 payroll adjustments remedied and as of April 2024, over 430 adjustments have been required.

After all the necessary adjustments and changes are made, the Time Administrator runs a Validation Report in Maximo to verify that all records have been processed and that there are no longer any errors. Once this is finished, the Time Administrator is then able to "Approve Time" in Maximo by batches, as Maximo is only able to process 2,000 records at a time. When all the records have been approved, a "Submit" report is then run in Maximo to finish the entire process. Once everything in Maximo is completed, a Maximo Integration report is then run in PeopleSoft in order to essentially transfer all the information from Maximo to PeopleSoft. Lastly, the Time Administrator will make any necessary final manual adjustments, such as FMLA, before running the final "Payable Time Report" in PeopleSoft. This will then be approved by the Administrative Supervisor and communicated to Payroll once fully completed.

Audit Scope and Methodology

We conducted the engagement in accordance with Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing. Those standards require that we plan and conduct an engagement to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our engagement objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our engagement objectives.

In some instances, we used judgmental sampling methods to determine the samples selected for our audit test work. In those cases, the results of the work cannot be projected to the population as a whole.

The period audited was January 2023 through April 2024 and included the following procedures:

Interviews & Process Walkthroughs

- Interviewed and performed process walkthroughs with over 15 Port managers and staff within Aviation Maintenance (AVM), Payroll, and ICT to gain an understanding of:
 - The current timekeeping processes, including the review and approval processes.
 - Related preventive and detective controls in place.
 - Opportunities for improvement.

Document Review

- Reviewed key documents related to timekeeping processes, including the following:
 - Port Policies and departmental policies/procedures.
 - Collective Bargaining Agreements (CBA), defining various aspects of employees' time and terms of employment.
 - Full AVM Employee Listing, including Department, Job Title, and Manager Names.
 - Various Business Intelligence (BI) Reports detailing Overtime Double Time (OTDT) Analysis, OT Requested and OT Worked, Pay Period Review, and Time Review.

Testing

- Timesheets Test:
 - Randomly selected a sample of nine represented, hourly employees within AVM across five different pay periods from January 2023 to April 2024 and noted the following:
 - Name, Job Title, Department, & Manager Name.
 - Total Number of Hours Worked for the Specific Pay Period, including the type of hours (i.e. Regular, Overtime, PTO, Sick Leave, Floating Holiday, FMLA, etc.).
 - Verified backup supporting documentation for hours submitted (combination of electronic records, emails, and hardcopy paper slips).
- Overtime (OT) Test:
 - Accessed and reviewed a BI Report showing OT Hours for AVM.
 - Selected the top five employees with the greatest number of OT hours for 2023.
 - Analyzed their job titles, what departments they work for, and the specific Maximo work orders related to the OT hours (including description of work).
 - Inquired with department manager to gain a better understanding of why OT is needed, how it is being utilized effectively, and how to assure employee safety and well-being despite working OT.

Schedule of Observations and Recommendations

1) Rating: High

There is no formal review and approval process performed over employees' timesheets assuring the accuracy of hours submitted every pay period.

Currently, the timekeeping process within AVM is disjointed and fragmented, varying from one department to another. Based on our interviews and conversations with staff (including crew, foremen, and managers), we determined that some foremen review their crew's time on an almost daily basis, some review on a weekly basis, and some foremen do not review and merely wait to hear from the AVM Time Administrator regarding corrections and adjustments that are needed to be made. Due to the inconsistencies in the overall review process, the number of errors and adjustments needed greatly differ from period to period. Additionally, even though some foremen review their crew's time, errors and mistakes are still not caught prior to Maximo submission.

As a result of this, the burden primarily falls on the AVM Time Administrator. Due to the sheer volume of hourly employees within AVM (approximately 300 hourly, over 400 employees in total), it is not feasible and sustainable for this individual to check every timesheet for every pay period. Furthermore, the Time Administrator is not aware of everyone's day-to-day schedules and therefore, not in a position to verify accuracy.

Recommendations:

- 1.) Develop a formal process of reviewing and approving timesheets. If needed, allocate some admin time (i.e. 15 minutes every day or 1 hour every week) for approvers (primarily, crew foremen chiefs) to have adequate & sufficient time to thoroughly review their own crew's timesheets. This will assure the accuracy of hours submitted and will hopefully, reduce the volume of emails back and forth with the time administrator.
- 2.) Consider adding physical punch time clocks, which can ideally feed information into Maximo automatically, at all AVM workshops and facilities to ensure accurate reporting of employees' entry and exit during every shift. This will aid in time tracking, as well as streamline the overall process.
- 3.) Increase formal training opportunities for employees to raise awareness about the importance of submitting time accurately and timely. IA notes that due to various CBAs with different labor unions, each employee's timesheet can vary widely, with numerous different pay codes. As such, formalized training, either conducted by the Port, or in conjunction with each union, could be very helpful and valuable for all hourly, represented employees.
- 4.) Develop consequences for employees who forget to submit their timesheets regularly or require corrections and adjustments often.

Management Response/Action Plan:

- 1) We concur with recommendation #1 audit observation regarding a formal review and approval process to ensure the accuracy of employee hours submitted to payroll. Although as a management team we fully recognize the challenges our maintenance shop supervisors currently have - *with the workload of managing crew work assignments, staffing levels with limited staff, and for some supervisors, being in the field performing the work themselves due to high demands* - we are fully committed to following through and taking action.

Action Plan: Aviation Maintenance will develop and implement a time entry review and approval process for the Maintenance Shop Supervisors to enable the validation of hours recorded by each employee on work they performed. The process document will highlight the expectations for each Supervisor to review and approve employee recorded time entries daily either at the beginning or ending of each shift. The process document will also include reference for any reporting tools or dashboards built to streamline the review and approval process for Supervisors.

Once the process is developed action will be taken to 1) communicate Supervisor roles and responsibilities for the new process, 2) provide training for each maintenance field employee on expectations to record hours worked consistently and accurately, 3) provide training for Supervisors on the process, emphasize any reporting tools provided for compliance monitoring and 4) emphasize the required actions to take prior to Payroll processing.

We believe implementing these steps will alleviate the burden on the department timekeeper to validate and account for employee hours during payroll processing. Process development will begin Q3 of 2024 with full implementation of by end of Q1 2025.

- 2) In response to recommendation #2 about physical punch time clocks in shop locations, we will explore opportunities for this option. We recognize that whatever time clock system we put in place should further improve the current process and prevent having to go back to manual data entries.

Action Plan: Work with Maximo industry experts using the current IDIQ Maximo vendor contract to further investigate opportunities to record data directly from punch time clock into the EAM (Maximo) system. Determine if off the shelf solutions are available on the market and assess its feasibility with our current Port processes and systems.

- 3) We concur with recommendation #3. Once the process (see response #1) is developed and ready for implementation, training will be implemented for all Aviation Maintenance hourly and represented employees.

Action Plan: Develop and deliver training for all hourly and represented employees. The training will emphasize the importance of recording hours worked accurately, as well as highlight the expectation that each employee should record hours worked on jobs **daily**. The training will also educate staff on the various pay time entry codes available and when they should be used. Training will be aligned with process implementation timeline in Q1 2025.

- 4) Most of the represented groups within the Maintenance department do not have annual performance reviews as part of the CBA. Therefore, we can't tie consequences to an annual performance review however we believe with the process training and development of payroll (labor transaction) reports and/or dashboards for the Supervisors, should make it easier to spot inconsistencies and inaccuracies in time recording.

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Action Plan: Perform regular review of the payroll (labor transaction) reports and/or dashboards to identify discrepancies and noncompliance. Partner with the Port's Labor Relations team to discuss consequences (when appropriate) for employees who are continuously not in compliance with time recording expectations.

DUE DATE: 03/31/2025

2) Rating: High

A policy limit to control the amount of overtime employees work has not been established. Without a limit, the likelihood of accidents could increase, and employee well-being could decline due to individuals who work excessive hours.

Based on our audit procedures, we noted that in 2023, a total of 74,264 OT hours was worked, with higher hours worked primarily during the summer and winter months. Certain departments within AVM work a significant number of OT hours.

When discussed with management, they acknowledged the safety impacts of excessive overtime. Our testing identified an employee who worked a 34-hour shift and another employee who worked a 90-hour work week. We also identified an employee who worked several 20-hour shifts after already working a 10-hour day.

Job Title	Total Overtime Double Time (OTDT) Hours in 2023
Aviation Field Technician	1,026
Aviation Field Technician	761
Aviation Field Technician	760
Laborer Parking/Fuel Cleaner	856
Laborer Parking/Fuel Cleaner	847

From the table above, IA noted that the 5 employees with the greatest number of OT hours for 2023 are all from the Facility, Fleet, System, & Grounds Department. Most of the OTDT work is done over the span of a couple months throughout the year, depending on necessity and urgency. Additionally, we noted that the longest streak of consecutive OT performed was four days.

The U.S. Department of Labor's Occupational Safety and Health Administration (OSHA) reports many American workers spend over 40 hours a week at work, sometimes during evening and nights, rotating, and/or irregular shifts. These schedules can cause worker fatigue. As a result, "Long work hours may increase the risk of injuries and accidents and can contribute to poor health and worker fatigue. Studies show that long work hours can result in increased levels of stress, poor eating habits, lack of physical activity and illness."

Generally, federal and state law do not limit the number of hours an adult employee can work. However, several Federal Agencies and National Organizations have developed Fatigue Risk Management Programs that restrict the number of hours an employee can be on the job.

Per our discussions, a lot of the overtime hours worked are mandatory (i.e. rubber removal from runways) and required to be done during off-peak business hours. As a result, the work is usually needed to be performed during graveyard shifts and weekends. Additionally, some of the work performed is also seasonal (i.e. baggage handling assistance during cruise season) so staffing is always challenging. Lastly, OT is also optional and non-mandatory, apart from snow days.

In addition to safety and wellbeing, overtime is more costly. In fact, in 2023, the Port paid over \$8M in

total overtime labor costs versus the budgeted amount of \$3.3M. During our discussion with Management, IA also brought up the possibility of adding headcount to possibly reduce OT hours but due to the overall nature and timing of tasks, it would ultimately be more costly and there would not be sufficient work to keep all employees productive.

Recommendations:

- 1.) Develop a Port-wide policy to enforce a formal cap and limit on the number of consecutive hours that an individual can work within a 24-hour period, highlighting safety concerns and supporting employees' overall health and wellbeing.
- 2.) Integrate the language from the Port-wide policy into CBAs.

Management Response/Action Plan:

We concur with the Audit team's recommendations #1 & #2. There is a definite need for a Port-wide policy to enforce a formal cap on the amount of overtime an individual employee can work; we as a management team share the same concerns around safety and the overall health and well-being of the employee. We also agree with the plan to integrate the Port-wide policy into each CBA to ensure standardization across the board. At this time, we will refrain from taking any action related to these recommendations at the department level.

DUE DATE: 12/31/2024

3) Rating: Low

During testing, Internal Audit noted that for some of our selections, supporting documentation was missing and/or unavailable.

Within AVM, different departments have varying policies regarding requests for Vacation, Leave without Pay (LWOP), Family and Medical Leave Act (FMLA), etc. In general, requests for absences from work must be submitted to respective managers, either via hard copy (filling out a paper slip and having it physically signed by his/ her manager) or more recently, electronically (via a SharePoint request).

In the testing we performed, out of 45 total samples, we had eight items specifically, which supporting documentation could not be provided since they were either missing, lost, or non-existent. Of the eight selections, three were related to LWOP, four were related to Vacation, and one was related to FMLA.

Based on our discussions with respective managers, there were varying responses as to why support could not be provided. For the LWOP selections, no supporting documentation exists so nothing could be provided as back-up. For the selections related to Vacation, IA was told that a shop flood in the past year may have destroyed written documentation and support. As a result of this, nothing could be provided as well. Lastly, for the selection regarding FMLA, there was no backup available as the FMLA email and worksheet prepared by HR was non-existent and could not be found.

Since supporting documentation could not be provided for 8 out of 45 selections, IA was not able to verify and substantiate that these hours were indeed approved appropriately.

Recommendations:

- 1.) Streamline the entire request process and develop an AVM-wide policy regarding Vacation and Leave Requests. Going forward, IA recommends the usage of electronic requests for all of AVM to avoid any possible loss and misplacement of supporting documentation. This will aid departments in overall recordkeeping, as well as document retention.
- 2.) Coordinate with Port's HR regarding employees' FMLA requests to develop a more formalized and standardized process to avoid any delays and errors when processing timesheets for payroll. This ensures that employees' FMLA requests are processed timely and less retroactive adjustments are needed to be done.

Management Response/Action Plan:

1. We concur with IA's recommendation #1. AVM has an electronic leave request process developed in SharePoint. The SharePoint leave request form is currently being used by non-represented employees and some of the maintenance represented employee shop teams. We agree that a standard process or department policy is needed to ensure the whole department is using the electronic SharePoint leave form.

Action Plan: Improve and implement the standard department electronic leave process for all maintenance teams and eliminate the use of paper leave requests. Internal department teams will work with the Administrative Supervisor to improve the current SharePoint form to be used more broadly for all teams. We will identify the teams who will transition from paper leave requests to the electronic process and ensure all shop employees that are currently using paper are trained on the electronic leave request form. Send out department communication to

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highlight transition dates and when these changes will be implemented formally.

2. We concur with recommendation #2 on the FMLA process. FMLA is a process that is owned by the Port's HR department.

Action Plan: Partner with HR to identify the gaps in the current process and collaborate to improve the process, streamlining the steps and communication related to FMLA. This process affects and involves all these roles currently - the AVM employee, AVM Manager, AVM Timekeeper, Corporate Payroll, HR Benefits team, and Sedgwick.

DUE DATE: 12/31/2024

Appendix A: Risk Ratings

Findings identified during the audit are assigned a risk rating, as outlined in the table below. Only one of the criteria needs to be met for a finding to be rated High, Medium, or Low. Findings rated Low will be evaluated and may or may not be reflected in the final report.

Rating	Financial Stewardship	Internal Controls	Compliance	Public	Commission/ Management
High	Significant	Missing or not followed	Non-compliance with Laws, Port Policies, Contracts	High probability for external audit issues and / or negative public perception	Requires immediate attention
Medium	Moderate	Partial controls Not functioning effectively	Partial compliance with Laws, Port Policies Contracts	Moderate probability for external audit issues and / or negative public perception	Requires attention
Low	Minimal	Functioning as intended but could be enhanced	Mostly complies with Laws, Port Policies, Contracts	Low probability for external audit issues and/or negative public perception	Does not require immediate attention
Efficiency Opportunity	An efficiency opportunity is where controls are functioning as intended; however, a modification would make the process more efficient.				