



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID'S APPLICATION CONTROLS OVER PREMIUM PAY IN ITS WEBTA SYSTEM

AUDIT REPORT NO. A-000-15-005-P
FEBRUARY 10, 2015

WASHINGTON, D.C.



Office of Inspector General

February 10, 2015

MEMORANDUM

TO: Chief Financial Officer, M/CFO, Reginald W. Mitchell
Chief Information Officer, M/CIO, Jay Mahanand
Human Capital Officer, HR/CHCO, Elizabeth B. Kolmstetter

FROM: Director, IG/A/ITA, Mark S. Norman /s/

SUBJECT: Audit of USAID's Application Controls Over Premium Pay in Its webTA System
(Report No. A-000-15-005-P)

This memorandum transmits our final report on the subject audit. We carefully considered your comments on the draft report and have included them in Appendix II. This report includes four recommendations to help USAID strengthen application controls over premium pay in its webTA system.

We acknowledge USAID's management decisions on all four recommendations. Please provide the necessary documentation to obtain final action on each one to the Audit Performance and Compliance Division in the Office of the Chief Financial Officer.

Thank you and your staff for the cooperation and courtesies extended to us during this audit.

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SUMMARY OF RESULTS

USAID's Automated Directives System (ADS) Chapter 472, "Premium Compensation" (August 17, 2012), establishes the Agency's policies and essential procedures for premium pay. According to that, categories of premium pay are:

- Overtime pay
- Compensatory time
- Pay for holiday work
- Night differential
- Sunday pay

The categories apply to most direct-hire Foreign and civil service employees who are U.S. citizens. They generally do not apply to commissioned Foreign Service officers or members of the senior Foreign Service.¹ However, those employees may be eligible for limited premium compensation while serving second tours of duty in Afghanistan, Iraq, or Pakistan.

Developed by Kronos Inc., webTA is used to manage and transmit time and attendance data to the National Finance Center for processing. USAID launched the system in 2008. In late 2013 USAID upgraded webTA to version 4.1, expecting to support approximately 9,500 users.

For employees to get premium pay, they and their supervisors must follow a four-step procedure in webTA. The process is as follows:

1. Submission. The employee creates and submits a premium pay request for approval to his or her supervisor before working the premium pay hours.
2. Approval. The supervisor receives the request and approves or disapproves it. In approving, the supervisor is authorizing the employee to work the premium pay hours and confirming that such hours are justified.
3. Validation. The employee validates his or her timesheet. It should already be populated with the employee's premium pay hours upon the supervisor's approval of the employee's request. In validating, the employee is confirming that he or she worked all of the hours, including premium pay hours.
4. Certification. The supervisor certifies the employee's validated timesheet and therefore is confirming that the employee worked the hours that he or she validated, including the premium pay hours.

OIG conducted this audit to determine whether USAID implemented application controls over the submission, approval, validation, and certification of premium pay benefits in its webTA system.

¹ According to 5 U.S.C. 5541(2)(xiv) and (xv).

The audit found that USAID did not implement those application controls. As a result, employees and their supervisors can bypass the submission and approval procedures for premium pay due to misconfigured settings (page 3).²

The audit recommends that USAID:

1. Configure webTA so the system prevents employees and supervisors from validating and certifying timesheets that include premium pay hours that have not been submitted and approved in accordance with webTA procedures, or document acceptance of the risk of not doing so (page 5).
2. Conduct a documented review of the 151 pay provider validation rules in webTA, make a written determination as to which rules apply to Agency operations, and based on that, document an approved webTA baseline set of controls (page 5).
3. Modify the contract to require the webTA vendor to provide detailed explanations of each of the pay provider validation rules, including the impact of each on the submission and approval of requests and the validation and approval of timesheets (page 5).
4. Designate a responsible office for developing and enforcing premium pay policies and procedures, and update ADS 472 and 626, including mandatory internal references, accordingly (page 5).

Detailed findings appear in the following section, and Appendix I has information on the audit scope and methodology. Management comments are included in their entirety in Appendix II, and our evaluation of those comments is on page 6.

² A 2014 OIG audit “found a number of information system weaknesses that, if exploited, could adversely affect the confidentiality, integrity, and availability of USAID’s data and information systems, and could ultimately have a negative impact on the Agency’s ability to protect the security of its information or information systems.” (*Audit of USAID’s Fiscal Year 2014 Compliance with the Federal Information Security Management Act of 2002* (No. A-000-15-003-P, October 30, 2014). Therefore, even if the application controls over premium pay in webTA were effective, there is a risk that those controls may be overridden.

AUDIT FINDING

webTA Is Not Configured Properly to Prevent Premium Pay Abuse

Office of Management and Budget (OMB) Circular A-11, "Preparation, Submission and Execution of the Budget" (July 2014), states that Agency officials are responsible for ensuring that "adequate approval . . . procedures are in place to avoid overtime abuses." The Government Accountability Office's (GAO's) *Government Auditing Standards* (GAO-12-331G, December 2011) describes abuse as:

Behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances . . . Abuse does not necessarily involve fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements.

Chapter 5 from the Code of Federal Regulations (CFR), Section 550.111(c) states, "Overtime work in excess of any included in an administratively scheduled workweek may be ordered or approved only in writing by an officer or employee to whom this authority has been specifically delegated."

Finally, according to ADS Chapter 472.3.1, "Overtime Pay" (August 17, 2012), "Overtime pay or compensatory time must be requested in webTA by the employee and approved by the supervisor prior to working overtime."

The audit found that USAID did not have adequate approval procedures to give Agency management reasonable assurance of preventing premium pay abuse. The webTA system is configured to allow employees and supervisors to bypass the premium pay submission and approval procedures. As a result, employees can validate and supervisors can certify timesheets that include premium pay hours without corresponding approved premium pay requests. The system generates a warning message, but otherwise allows the timesheet to be validated and certified for payment. A National Finance Center official confirmed that these unapproved premium pay hours appearing on the timesheet would be paid even without corresponding approved premium pay requests and advised that some type of application control be implemented.

Not having such a control is a consequence of USAID not having documented an approved baseline set of controls for its webTA system. National Institute of Standards and Technology (NIST) Special Publication 800-53, "Security and Privacy Controls for Federal Information Systems and Organizations," Revision 4, Section CM-2, states, "Organizations should develop, document, and maintain under configuration control, a current baseline configuration of the information system." Further, ADS 545, "Information Systems Security," Section 545.3.3.10 "Configuration Management," states, "[System owners] must document the initial system configuration in detail."

According to a senior Agency official, USAID did not modify the configuration of webTA and therefore implemented the system the way the vendor had configured and packaged it. Further,

the official said, employees at missions in countries like Afghanistan and Pakistan cannot always access their computers to submit formal requests for premium pay, as required by ADS 472. For example, he said, if an embassy is under attack, a supervisor's verbal approval for working premium pay hours was acceptable, or at least should be in those circumstances. He said the ADS policy should be revised accordingly to allow for exceptions. Moreover, he said a supervisor's approval of a timesheet constitutes approval and justification for an employee's overtime. Another senior official defended the configuration and said the settings should allow employees to work overtime without supervisory approval in emergencies.

Another official said the reason there is no approved baseline configuration for webTA is because Kronos never provided documentation explaining the 151 pay provider validation rules, which are used to validate timesheet entries. Each individual rule can be enabled or disabled to trigger an error or warning. Among those rules are those that govern premium pay. The official said Kronos's employees did not want to explain how the system works for fear that competitors would get proprietary information.

OIG found that providing specific documentation about the pay provider validation rules was not in the contractual agreement with Kronos. It includes only a vague requirement that the contractor must deliver "Implementation documentation" on released versions of webTA within a certain period of time. A USAID official said and OIG agrees that the webTA manuals were not very useful because they were generic and repetitive about the pay provider validation rules.

Another reason for the internal control weaknesses over premium pay is confusion over which USAID office is responsible for enforcing the rules that govern it. A senior USAID official acknowledged that no such office was clearly given this responsibility. The Office of Human Resources is the designated responsible unit for the premium pay policy in ADS 472, "Premium Compensation." That section includes the provision that employees must get their supervisors' approval in webTA before working the premium pay hours. The Chief Financial Officer's office, however, is designated as responsible for payroll procedures in ADS 626, "Payroll." And the Chief Information Officer's office is the unit responsible for managing the configuration of all information systems as described in ADS 545, "Information Systems Security."

Without adequate coordination and communication among the various offices, webTA may not be configured to avoid the risk of fraud and abuse perpetrated within the system, such as the abuse of premium pay. For example, a March 2014 OIG audit report found that applicable control procedures were not followed in USAID/Afghanistan for 98 percent of the overtime hours, worth \$16.3 million, paid during the audited period.³ Ninety-four percent of those hours, worth more than \$15.6 million, were paid without any premium pay overtime requests in webTA.⁴ In our opinion and in that of the Regional Inspector General (RIG)/Afghanistan auditors, working more than 90 percent of overtime hours without corresponding premium pay requests indicates abuse. In addition, OIG's financial statements audit for the year ended September 30, 2013, found approximately \$8,000 in paid overtime hours that were not approved in advance. Those costs ultimately are borne by taxpayers.

³ The audited period was January 1, 2011, through August 25, 2012, as described in OIG's audit report *Audit of USAID/Afghanistan's Management Controls Over Overtime Compensation* (No. F-306-14-001-P, March 23, 2014).

⁴ USAID/Afghanistan officials disagreed with the calculation and said the percentage was approximately 35 percent, based on their own analysis. They also disagreed with the associated costs of \$16.3 million, which the auditors reported as questioned costs. The officials said those amounts were allowable. However, the auditors from RIG/Afghanistan disagreed.

The lack of a baseline configuration has consequences beyond premium pay. For example, the submission and approval of employee leave, such as annual and sick leave, in webTA operates according to the same four steps as premium pay. To minimize risks, the webTA system owner should understand all pay provider validation rules, document whether each rule should be enabled, and configure the system accordingly. Not doing so increases the risk of fraud, waste, and abuse. Therefore, OIG makes the following recommendations.

Recommendation 1. We recommend that USAID's Chief Financial Officer either configure webTA so it prevents employees and supervisors from validating and certifying timesheets that include premium pay hours that have not been submitted and approved in accordance with webTA procedures and document the results or document the acceptance of the risk of not doing so.

Recommendation 2. We recommend that USAID's Chief Financial Officer conduct a documented review of the 151 pay provider validation rules in webTA; make a written determination on which rules apply to Agency operations, and based on that, document an approved webTA baseline set of controls.

Recommendation 3. We recommend that USAID's Chief Information Officer, through the cognizant contracting officer, modify the written webTA contract to require the webTA vendor to provide detailed explanations of each pay provider validation rule, including the impact of each on the submission and approval of requests and the validation and approval of timesheets.

Recommendation 4. We recommend that USAID's Chief Financial Officer coordinate with the Chief Human Capital Officer and the Chief Information Officer to designate in writing a responsible office for developing and enforcing premium pay policies and procedures, and update USAID's Automated Directives System 472 and 626, including mandatory internal references, accordingly.

EVALUATION OF MANAGEMENT COMMENTS

USAID management agreed to take actions on all four recommendations in the audit report. Based on their comments, management decisions have been reached on each of the recommendations. Our detailed evaluation of management comments follows.

Recommendation 1. USAID officials said they plan to accept the risk of not configuring webTA to prevent timesheets from including premium pay hours that have not been submitted and approved in accordance with procedures. They also plan to take steps to be sure that Agency policies and procedures provide adequate controls to avoid overtime abuse. The target completion date for that action is June 30, 2015. Therefore, we acknowledge USAID's management decision on Recommendation 1.

Recommendation 2. USAID management agreed to "conduct a documented review of the pay provider validation rules in webTA, make a written determination on which rules apply to Agency operations, and document an approved webTA baseline set of controls." The target completion date for that action is September 30, 2015. Therefore, we acknowledge USAID's management decision on Recommendation 2.

Recommendation 3. USAID's Chief Information Officer plans to ask the Chief Financial Officer to document the need for the webTA vendor to provide explanations of its pay provider validation rules. If the need is justified and funding is available, then the contract will be modified accordingly. The target completion date for that action is September 30, 2015.

USAID management's response does not state definitively that the contract will be modified to obtain the rules as recommended. However, OIG made Recommendation 3 because Agency officials said they need explanations of the rules to conduct a review of them (page 4), as per Recommendation 2. If Agency officials later determine that they are able to complete actions needed to implement Recommendation 2 without an explanation of the rules, then the overall weakness is addressed and USAID does not need to take action on Recommendation 3. Therefore, we acknowledge USAID's management decision on Recommendation 3.

Recommendation 4. USAID's Chief Financial Officer plans to coordinate with the Chief Human Capital Officer to clarify which office is responsible for ADS 472 on premium pay, and "to modify the language regarding pre-approval of premium pay in webTA to allow for necessary flexibility." Further, the Office of the Chief Financial Officer will make sure that appropriate premium pay instructions are included in ADS 626. The target completion date for that action is April 30, 2015. Therefore, we acknowledge USAID's management decision on Recommendation 4.

SCOPE AND METHODOLOGY

Scope

OIG's Information Technology Audits Division performed this audit to determine whether USAID implemented application controls over the submission, approval, validation, and certification of premium pay benefits in its webTA system.

We conducted this performance audit in accordance with generally accepted government auditing standards. They 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 objective. We believe the evidence obtained provides that reasonable basis.

Audit field work was conducted between August 11 and November 10, 2014, at USAID locations in Arlington, Virginia, and Washington, D.C. We contacted officials from the Offices of the Chief Financial Officer and Chief Information Officer, and the Office of Human Resources. We also reviewed documents including: (1) the webTA 4.1 System Administrator Guide, (2) the webTA timekeeper job performance aid, (3) the webTA supervisor job performance aid, (4) the webTA employee job performance aid, (5) USAID's summary of changes in webTA 4.1, and (6) the human resources administrator guide for webTA 4.1.

We also considered audit findings from past USAID OIG audit reports, management letters, and reviews.⁵

The nature of this audit was to assess application controls. Therefore, we performed tests related to the following internal application controls in support of our audit objective.

- Submission of premium pay
- Approval of premium pay
- Validation of premium pay
- Certification of premium pay

We also assessed internal controls over premium pay eligibility, such as commissioned Foreign Service officers and employees who were in travel or training status. Finally, we assessed internal controls over whether employees were subject to premium pay caps.

Using USAID's testing version of webTA, we assessed the system's configuration settings in place as of August 20, 2014. Officials in the chief financial office said that version was a copy of the one in production, except that it did not have personally identifiable information, like Social Security numbers.

⁵ We reviewed (1) *Audit of USAID's Fiscal Year 2014 Compliance with the Federal Information Security Management Act of 2002* (No. A-000-15-003-P, October 30, 2014); (2) *Audit of USAID/Afghanistan's Management Controls Over Overtime Compensation* (No. F-306-14-001-P, March 23, 2014); (3) Management Letter, *Audit of USAID's Financial Statements for Fiscal Years 2013 and 2012* (December 16, 2013); and (4) *Review of the Bureau for Democracy, Conflict and Humanitarian Assistance's Use of Compensatory Time* (No. 2-000-11-001-S, December 17, 2010).

Methodology

To answer the audit objective, we reviewed the following laws, regulations, and policies related to the audit objective.

- Fair Labor Standards Act of 1938, as amended, 29 U.S.C., Section 201
- 5 CFR, Part 550, “Pay Administration” (January 1, 2011)
- 5 CFR, Part 530, “Aggregate Limitation on Pay” (January 1, 2014)
- 3 Foreign Affairs Manual 3130, “Premium Compensation” (January 27, 2012)
- ADS 472, “Premium Compensation” (September 21, 2012)
- Mandatory Reference to ADS Chapter 626, “Implementation of the webTA Electronic Time Keeping System” (November 17, 2011)
- ADS 545, “Information Systems Security” (June 6, 2014)
- OMB Circular A-11, “Preparation, Submission and Execution of the Budget” (July 2014)
- NIST Special Publication 800-53, “Security and Privacy Controls for Federal Information Systems and Organizations,” Revision 4 (April 2013)

In USAID’s testing version of webTA, we tested:

- The submission of premium pay requests to determine whether the system allowed employees who were not eligible for premium pay to submit a request.
- The approval of premium pay requests to determine whether users other than supervisors could approve premium pay requests.
- The validation of timesheets with premium pay to determine whether an employee could validate their timesheet before a premium pay request was approved or if he or she had not submitted a request.
- The certification of timesheets with premium pay to determine whether employees given (1) user roles other than the supervisor role could certify timesheets, (2) the supervisor could certify timesheets that include disapproved premium pay requests, and (3) the supervisor could certify timesheets that include premium pay that was not submitted and approved.

For this audit, we used judgmental sampling to test the controls over the submission, approval, validation, and certification of premium pay in webTA. We selected several samples of employees who had active accounts in the webTA test database at the time we conducted our fieldwork. We used judgmental sampling because we needed to determine whether the controls were effective and we did not need to project the results to the population.

We did not establish a materiality threshold for this audit.

MANAGEMENT COMMENTS



MEMORANDUM

TO: Mark S. Norman, OIG/A/ITA Director

FROM: Reginald W. Mitchell, Chief Financial Officer (M/CFO) /s/
Jay Mahanand, Chief Information Officer (M/CIO) /s/

SUBJECT: Revised Management Response to the Audit of USAID's Application Controls Over Premium Pay in Its webTA System (Report No. A-000-15-XXX-P)

Thank you for the opportunity to respond to the draft report on the subject audit and for the professionalism exhibited by your staff during the audit. Our comments and management decisions regarding the proposed audit recommendations follow:

Recommendation 1: We recommend that USAID's Chief Financial Officer either configure webTA so it prevents employees and supervisors from validating and certifying timesheets that include premium pay hours that have not been submitted and approved in accordance with webTA procedures and document the results or document the acceptance of the risk of not doing so.

Management Comments: While it is possible to configure webTA so that no premium pay can be entered on the timecard except as a result of an approved overtime request, this approach would make the system too limiting, eliminating flexibility that may be needed in some circumstances to assure that payroll payments are made to employees timely.

For example, employees in Afghanistan, who are required to work 30-35 hours of overtime per pay period, create individual overtime schedule requests for pre-approval by their supervisors. These schedules spell out how many hours of premium pay are to be worked each day of a two-week period, based on the needs of the Agency as well as the employee's own scheduling concerns. If webTA was configured in the way OIG suggests, employees would not be able to deviate by even one hour over the course of two weeks, for example, working one hour more than scheduled on the second Tuesday, offset by one hour less on the second Wednesday. Such

rigidity serves neither the Agency's interests in meeting critical work demands nor the advancement of effective cost controls.

Another example is in cases of emergency situations where an employee must work extra hours to meet an unexpected but legitimate business need of the Agency, and where advance written approval of overtime in webTA and approval by the supervisor in webTA is not possible or practical. Such situations are fairly common and need not rise to the extreme of an embassy under attack as mentioned in this audit report. Approval for premium pay hours is often given verbally or via email in such situations and the Agency has a legal obligation to compensate the employee for the hours worked. The Agency will not configure software so that it is impossible to pay legitimate costs in the interest of preventing possible abuse by others.

However, USAID recognizes the importance of assuring that "adequate approval... procedures are in place to avoid overtime abuse" as per OMB Circular A-11, and will take appropriate steps to document policy and procedures that support this goal, but we reject the notion that the way to do this is to reconfigure the Time and Attendance software as rigidly as OIG recommends. The Chief Financial Officer will document the risks of this approach accordingly.

Target Completion Date: June 30, 2015

Recommendation 2: We recommend that USAID's Chief Financial Officer conduct a documented review of the 151 pay provider validation rules in webTA; make a written determination on which rules apply to Agency operations, and based on that, document an approved webTA baseline set of controls.

Management Comments: USAID's Chief Financial Officer will conduct a documented review of the pay provider validation rules in webTA, make a written determination on which rules apply to Agency operations, and document an approved webTA baseline set of controls..

Target Completion Date: September 30, 2015

Recommendation 3: We recommend that USAID's Chief Information Officer, through the cognizant contracting officer, modify the written webTA contract to require the webTA vendor to provide detailed explanations of each pay provider validation rule, including the impact of each on the submission and approval of requests and the validation and approval of timesheets.

Management Comments: The Chief Information Officer (M/CIO) will take the lead in actions related to modifying the WebTA contract that might be required to support USAID's business needs. In order to verify a business need, M/CIO will formally request that M/CFO provide documentation regarding specific needs for vendor-provided explanations of pay provider validation rule, including what may be required to address recommendation 2 of this audit. Any contract modification in related to the response to this recommendation will only occur if M/CFO's response supports a need for a contract modification, and funding is available.

Target Completion Date: September 30, 2015

Recommendation 4: We recommend that USAID’s Chief Financial Officer coordinate with the Chief Human Capital Officer and the Chief Information Officer to designate in writing a responsible office for developing and enforcing premium pay policies and procedures, and update USAID’s Automated Directives System 472 and 626, including mandatory internal references, accordingly.

Management Comments: USAID’s Chief Financial Officer (M/CFO), as the webTA system owner and the official responsible for payroll processing in the Agency, will coordinate with the Chief Human Capital Officer (CHCO) to clarify responsibility for ADS Chapter 472 on Premium Pay, and more importantly, to modify the language regarding pre-approval of premium pay in webTA to allow for necessary flexibility as discussed above under Recommendation 1 above. In addition, M/CFO will ensure that appropriate instructions are included in ADS Chapter 626 when it is published in full.

The Office of Human Capital Talent Management (HCTM) has scheduled the revision of ADS 472 in its 2015 ADS Work Plan. It is currently scheduled to be reviewed during the first calendar year quarter. HCTM will collaborate with M/CFO on changes to the premium pay policies and procedures prior to finalizing the chapter for issuance.

Target Completion Date: April 30, 2015

U.S. Agency for International Development
Office of Inspector General
1300 Pennsylvania Avenue, NW
Washington, DC 20523
Tel: 202-712-1150
Fax: 202-216-3047
<http://oig.usaid.gov>