

UT Southwestern Medical Center

The University of Texas Southwestern Medical Center Timekeeping Audit of University Hospitals

Internal Audit Report 15:12

October 13, 2015

Table of Contents

I. Executive Summary	3
• Background/Scope and Objectives	3
• Conclusion	4
II. Detailed Observations and Action Plans Matrix	8
III. Appendices	19
• Appendix A – Risk Classifications and Definitions	19
• Appendix B – Kronos Interface Overview	20

Executive Summary

Background

The University of Texas Southwestern Medical Center (UT Southwestern) has utilized an automated timekeeping system called Kronos Workforce Central (Kronos) since 2005. At the time of this audit, UT Southwestern Hospital and Health System employees represented the majority of users of this automated scheduling and timekeeping system; however, starting in fiscal year 2016 (FY2016), Kronos will be implemented across the entire institution and will be used to track time and leave information for academic and administrative departments. The department has flexibility to decide how the Kronos system will be used. The University Hospitals are using Kronos consistently across the hospitals.

Timekeeping data is primarily collected within the Kronos system by employee ID card swipes at Kronos time clocks, which will record punch in and punch out transactions to electronic timecards. Employees and their managers have access to their daily timekeeping data either by time clocks, UT Southwestern network computers or Kronos reports. Managers and designated (administrative) department timekeepers have the ability to make corrections or adjustments to the timecards of their assigned staff.

The Kronos system interfaces with the PeopleSoft Human Capital Management (HCM) system to import employee demographic information and accrual balances. Each pay period, the payroll accounting staff adjusts Kronos data and reconciles various Kronos reports prior to upload of the Kronos employee data file to PeopleSoft HCM for payroll processing. PeopleSoft HCM processes and stores employee hours, pay rates, absences, accruals, and other miscellaneous data; and generates the payroll checks. See Appendix B for a Kronos Interface Overview.

Scope and Objectives

The UT Southwestern Office of Internal Audit has completed its Timekeeping Audit of University Hospitals. This was a risk-based audit and part of the Fiscal Year 2015 Audit Plan. The audit scope included processes related to the Kronos timekeeping activities at University Hospitals from April 1, 2014 through March 31, 2015, with the period selected for data analysis and subsequent department reviews from January 1, 2015 through March 31, 2015. Audit procedures included interviews with stakeholders, review of policies and procedures and other documentation, data analytics, and substantive testing.

The primary objectives of the audit were to evaluate the adequacy and effectiveness of processes and controls for managing time and attendance. Specifically, to provide reasonable assurance that:

- Timekeeping policies and procedures adequately define time and attendance (T&A) requirements, expectations, roles, and responsibilities.
- Employees are accurately recording and reporting their time (including vacation and sick time).
- Timecard data is appropriately reviewed and authorized by management.

Executive Summary

- Data integrity is maintained as information interfaces between Kronos and PeopleSoft HCM.
- Access to the Kronos system is appropriate.
- Timekeeping policies are being followed.
- Manual adjustments are appropriate and adequately supported.
- Timekeeping data errors and anomalies are identified and resolved in a timely manner.
- Kronos timekeeping rules are in alignment with policies.

We conducted our examination according to guidelines set forth by the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

Conclusion

Overall, there are opportunities to strengthen operational and system controls to ensure hospital departments are recording time and attendance accurately and in accordance with established policies and procedures.

The table below summarizes the observations and the respective disposition of these observations within the UT Southwestern internal audit risk definition and classification process. See Appendix A for Risk Rating Classifications and Definitions.

High (0)	Medium/High (2)	Medium (5)	Low (2)	Total (9)
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Specific strengths identified during the audit include:

- Institutional level and hospital wide policies are adequate and up-to-date.
- Data interface between Kronos and PeopleSoft HCM is working effectively.
- Kronos timekeeping rules are in alignment with policies.

Key improvement opportunities risk ranked as medium/high and medium are summarized below:

- **Strengthen Controls for Timekeeping Adjustment and Overtime Authorizations** – Department procedures were not in compliance with policies for manual adjustments authorization or overtime pre-authorization.
- **Restrict Timekeepers' Kronos application permissions** - Timekeepers had permission at the Kronos application level to change pay codes, hours, and other data of employees outside their span of management.

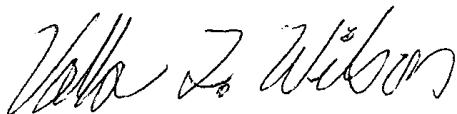
Executive Summary

- **Standardize Guidelines and Controls for Timecard Manual Adjustments** – Manual adjustments were made to some timecards without supporting documentation, and procedures were not in place to approve timecards with adjustments to verify the accuracy of time reporting.
- **Enforce the Policy Requirement for Timecard Approval by Manager** - Department managers are not approving employee timecards in the Kronos timekeeping system in accordance with policy.
- **Re-Assign Daily Operational Duties Performed by Kronos Administrators** - Kronos Administrators perform manual pay rule maintenance in the Kronos database which presents a segregation of duties issue.
- **Reconcile Contingent Workforce Time and Agency Billing** – The responsibility for reconciling contingent workforce time reported in Kronos and the RightSourcing agency billing has not been established.
- **Review Payroll Processing Staff Responsibilities** - There is not a secondary review of the payroll processing staffs' activities to determine if transactions are accurate and valid.

Management has implemented or is in the process of implementing corrective action plans. Management responses are listed in the Detailed Observations and Action Plans Matrix (Matrix) section of this report.

We would like to thank the departments and individuals included in this audit for the courtesies extended to us and for their cooperation during our review.

Sincerely,



Valla F. Wilson, Assistant Vice President for Internal Audit

Executive Summary

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Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p>Risk Rating: Medium/High ●</p> <p>1. Strengthen controls to ensure compliance with University Hospitals and UT Southwestern policies for authorizations of timekeeping adjustments and overtime</p> <p>Formal monitoring controls are not established for timekeeping processes to ensure compliance with policies and procedures. In a review of manual adjustment authorizations and overtime authorizations, there were instances of non-compliance with policies in one department.</p> <ul style="list-style-type: none"> The documented support for 12% of the timecard adjustments tested did not have evidence of management's approval. The University Hospitals and Hospital-Based Clinic Time and Attendance Policy requires all adjustments made to an employee's timecard be requested in writing and approved by the appropriate supervisor. Over-time for the department manager was not being pre-approved by the appropriate supervisor prior to payroll processing in accordance with UTSW Overtime Compensation Policy (EMP-204). This policy requires that, other than emergencies, a non-exempt employee may not work overtime without prior authorization from his or her manager or supervisor. <p>Non-compliance with time and attendance and overtime compensation policies increases the risk of overpayment of funds and can also lead to potential abuse of overtime by employees.</p>	<ol style="list-style-type: none"> Define department procedures for ensuring compliance with policies for manual adjustments and pre-approval of overtime. Implement monitoring controls to periodically review manual adjustments and supporting documents. Review and determine Kronos management reports available to be used for monitoring. 	<p><u>Management Action Plans:</u></p> <ol style="list-style-type: none"> In accordance with the time and attendance policy, supervisory personnel will be responsible for approving time away and/or additional time worked. A primary and secondary departmental supervisor will be identified for each department. The responsible and designated departmental supervisors will review the time (that may be entered or adjusted by a departmental Kronos Administrator) each pay period. Evidence of approval will either be enacted in the Kronos system or by sign-off on a listing of employees' time provided by the Kronos Administrator. FTE reports are produced biweekly and monthly by departments and reviewed by management at the department level and at the Hospital Executive Level. <p><u>Action Plan Owners:</u></p> <p>CFO, University Hospitals AVP & COO, University Hospitals AVP & CNO, University Hospitals AVP Surgical Services & Diagnostic Diseases, University Hospitals</p>

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p>Although the issues of noncompliance were identified in one of the eight departments reviewed, the risk exists in other departments given there are not any formal monitoring requirements.</p>		<p><u>Target Completion Dates:</u></p> <ol style="list-style-type: none"> 1. November 1, 2015 2. November 1, 2015 3. Completed

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p>Risk Rating: Medium/High ●</p> <p>2. Restrict Timekeepers' Kronos application permissions to only the personnel in their span of management</p> <p>Employees were found to have inappropriate access to the Kronos system. System access review revealed the following:</p> <ul style="list-style-type: none"> • Eighteen Kronos Timekeepers out of a sample of 50 had permission at the Kronos application level to change pay codes, hours and other data of employees outside their management area. • One individual, an Agency Nurse Practitioner (not a UTSW employee), had broad permission to change Kronos data in at least seven departments. • Four of 12 Assistant Managers (who are Timekeepers) have made approximately 90 time adjustments to other Assistant Managers or Managers' data during the three-month period from January 1, 2015 through March 31, 2015. <p>Because Timekeepers' permissions allow them to view and edit work hours, pay codes, etc., there is an increased risk of corruption of Kronos file data integrity without management knowledge and approval if there is not proper restriction of the Timekeepers' authority to their area of responsibility.</p>	<ol style="list-style-type: none"> 1. Review all Kronos Timekeepers' permissions and restrict all Timekeepers' permissions to their management area, preventing a Timekeeper from making any changes to other Timekeepers' departments. 2. Implement a periodic documented review of all Kronos Timekeepers' permissions, with an appropriate management sign-off. 	<p><u>Management Action Plans:</u></p> <ol style="list-style-type: none"> 1. Under HR direction, validate current Kronos Timekeepers and the departments they cover. Restrict Timekeepers access to only those departments for which they are responsible. 2a. A workgroup will be convened and plan a process for periodic review of Timekeepers access, using existing systems review processes as a template. 2b. Implementation of the periodic review process planned by the workgroup will be completed by April 30, 2016. <p><u>Action Plan Owners:</u></p> <p>VP, Human Resources Manager HRIS, Human Resources AVP, Application Systems (IR) Associate Director, Hospital Business Systems (IR)</p> <p><u>Target Completion Dates</u></p> <ol style="list-style-type: none"> 1. November 30, 2015 2a. December 31, 2015 2b. April 30, 2016

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p>Risk Rating: Medium ●</p> <p>3. Standardize guidelines and controls for timecard manual adjustments</p> <p>Manual adjustments are made to timecards without supporting documentation and timecards with adjustments are not mutually verified to ensure the accuracy of time reporting for each period.</p> <p>A review of timekeeping procedures within twelve University Hospitals departments, and detail testing of manual adjustments within eight of these departments, identified the following:</p> <ul style="list-style-type: none"> • Within four of the eight departments where sample testing was performed, supporting documentation for some of the manual adjustments (e.g. request form, email, exception log) could not be found. • Employees and managers do not sign off on weekly or bi-weekly timecards including manual adjustments to acknowledge all adjustments were accurate and appropriate. • None of the twelve departments reviewed had documented procedures for its specific record keeping requirements. <p>Without consistent documentation and evidence to support timecard changes and assurance of accuracy of reporting, potential issues may arise regarding employees' paychecks and leave balances.</p>	<ol style="list-style-type: none"> 1. Provide baseline procedural guidance to department managers for managing information related to timekeeping. 2. Standardize forms for use by all departments to capture all relevant information to support manual entries to timecards in Kronos. '<i>Kronos (Payroll) Exception Log</i>' and '<i>Employee Leave Form</i>' easily fit the standardization criteria. 3. Require supervisor sign-off on timecards on a weekly or bi-weekly basis, particularly if any manual adjustments are made to the timecards during that payroll period. 	<p><u>Management Action Plans:</u></p> <ol style="list-style-type: none"> 1. Procedural guidance for the review and approval of manual adjustments will be provided in accordance with the action steps included in #1 above. 2. A standard form will be provided to all departments for their use to document manual adjustment requests and sign offs. 3. Supervisory personnel will be responsible for approving timecards in Kronos each pay period. <p><u>Action Plan Owners:</u></p> <p>CFO, University Hospitals AVP & COO, University Hospitals AVP & CNO, University Hospitals AVP Surgical Services & Diagnostic Diseases, University Hospitals</p> <p><u>Target Completion Dates:</u></p> <ol style="list-style-type: none"> 1. November 1, 2015 2. November 1, 2015 3. November 1, 2015

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p>Risk Rating: Medium ●</p> <p>4. Enforce the policy requirement for timecard approval by managers</p> <p>Department managers are not approving employee timecards in the Kronos timekeeping system in accordance with policy.</p> <p>A review of hospital employee timecard approvals status for a recent bi-weekly pay period identified the following:</p> <ul style="list-style-type: none"> • Zale Lipshy University Hospital - Two of 49 department managers had approved all of their employees' timecards. • Clements University Hospital - Seven of 149 department managers had approved all of their employees' timecards. <p><i>Hospital and Hospital-Based Clinics Policy (UHHR 4-200: Time & Attendance)</i> states that, "All time worked and leave used will be entered and tracked in Kronos...3. At the completion of each pay period or during each payroll processing cycle, clinic or department managers must approve all time cards for their employees before the deadline set by UT Southwestern."</p>	<ol style="list-style-type: none"> 1. Clarify management expectations regarding the timecard approval policy. Care should be taken to ensure compliance with this policy does not impact timely payroll processing. 2. Identify standard IR reports for use by management to monitor timecard approval compliance. 3. Conduct periodic monitoring to ensure policy is being followed. 	<p><u>Management Action Plans:</u></p> <ol style="list-style-type: none"> 1. In accordance with the time and attendance policy, supervisory personnel will be responsible for approving timecards in Kronos. 2. Standard FTE reports and special departmental Kronos reports will be used by department and Hospital Executive Level management to monitor compliance with the timecard approval standard. As an enhancement to the existing special reports, a request has been made for integration of the Budget Control Number (BCN) process into HCM and the data warehouse. (Project has not yet been prioritized.) 3. Quarterly operational reviews are conducted by the COO, CFO and CNO. Periodic checks on compliance will be conducted in these reviews. <p><u>Action Plan Owners:</u></p> <p>CFO, University Hospitals AVP & COO, University Hospitals AVP & CNO, University Hospitals AVP Surgical Services & Diagnostic Diseases, University Hospitals</p> <p><u>Target Completion Dates:</u></p>

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
		<ol style="list-style-type: none">1. Completed2. November 1, 2015/Ongoing3. Ongoing

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p>Risk Rating: Medium ●</p> <p>5. Reassign daily operational duties performed by the Kronos Administrators</p> <p>The Kronos Administrator who is responsible for managing the Kronos database also performs manual pay rule maintenance and corrections in the Kronos database.</p> <p>This manual maintenance is triggered because a user's pay rule field is blank or incorrect in Kronos, usually occurring whenever an employee moves among university, clinic, and/or hospital. When the user's pay rule is corrected in Kronos, the Kronos Administrator notifies HRIS for matching correction in HCM.</p> <p>The Kronos Administrator involvement in daily operational duties presents a segregation of duties issue. Because the Kronos Administrators have full access to the Kronos database, there is a risk of data error without management awareness. In addition, the need for daily data correction is inefficient and defeats the purpose of an automated application.</p>	<ol style="list-style-type: none"> Analyze the root cause(s) of the need for daily corrections of pay rules to determine whether the manual correction step can be automated or eliminated. If the manual data correction step cannot be automated or eliminated, re-assign the task to Human Resources for more appropriate segregation of duties. 	<p><u>Management Action Plans:</u></p> <ol style="list-style-type: none"> Convene a cross functional project team to discover root cause of incorrect or no pay rule assignment. Create action plans to remediate root cause of incorrect or no pay rules assignment. Assign business owner for responsibility going forward; adjust system access to reflect modified business process. <p><u>Action Plan Owners:</u></p> <p>AVP, Application Systems (IR) Associate Director, Hospital Business Systems (IR) VP, Human Resources HRIS, Human Resources</p> <p><u>Target Completion Dates:</u></p> <ol style="list-style-type: none"> October 31, 2015 November 15, , 2015 December 31, 2015

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p>Risk Rating: Medium ●</p> <p>6. Reconcile contingent workforce time in Kronos with RightSourcing billing</p> <p>The responsibility for reconciling contingent workforce time reported in Kronos and the RightSourcing billing has not been established.</p> <p>The Kronos Contingent Worker Hours Worked Report is delivered to RightSourcing without verification of accuracy. RightSourcing personnel only will review the report and coordinate corrections to the data through the on-site RightSourcing staffing manager.</p> <p>University Hospital Finance prepares a monthly spreadsheet and management report that incorporates the RightSourcing invoice details as part of the General Ledger (GL) reconciliation. However, Hospital Finance does not confirm that the RightSourcing invoice detail agrees with the submitted Kronos timekeeping reports.</p> <p>The absence of reconciliation by UT Southwestern personnel of vendor billing details with appropriate Kronos workforce time reporting could result in incorrect processing and/or overpayment.</p>	<ol style="list-style-type: none"> 1. Implement procedures to ensure the time reported in Kronos for contingent workers is verified by department management and agrees with the weekly Contingent Worker Hours Worked Report before it is sent to RightSourcing. 2. University Hospitals Accounts Payable should reconcile invoices received from RightSourcing with the Contingent Worker Hours Worked Report before payment. 	<p><u>Management Action Plans:</u></p> <p>Monthly reports are generated by Hospital Accounting for Agency workers. These reports are currently reviewed during month-end close.</p> <p>Departmental FTE reports contain the agency FTE information that Departmental managers are responsible for reviewing.</p> <ol style="list-style-type: none"> 1. Hospital Financial Operations will implement a reconciliation process between the monthly reports generated by Hospital Accounting for Agency workers and departmental FTE reports reviewed by Departmental managers. <p>Hospital Financial Operations will complete the reconciliations, or review clearly documented reconciliations performed at the department level.</p> <p><u>Action Plan Owners:</u></p> <p>CFO, University Hospitals Controller, University Hospitals</p> <p><u>Target Completion Dates:</u></p> <ol style="list-style-type: none"> 1. November 15, 2015 (in conjunction with the October 2015 monthly close)

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p>Risk Rating: Medium ●</p> <p>7. Review payroll processing staff duties to ensure accuracy of payroll information</p> <p>A Payroll (Kronos super-editor) staff person assigned to University Hospitals departments and hospital-based clinics, must review, edit, and reconcile timekeeping data of over 4000 employees on a bi-weekly basis. These activities must occur in a short window of time so there is no delay in issuing paychecks to employees.</p> <p>The same employee also independently handles all communication with University Hospitals department and hospital-based clinic managers regarding any adjustments that need to be made to time and attendance data.</p> <p>There is not a secondary review of these comprehensive activities to determine if transactions are accurate or valid.</p>	<ol style="list-style-type: none"> 1. Establish procedures to define oversight of payroll staff assigned these duties. 2. Implement monitoring controls for reviewing transactions and resolution of issues by payroll staff. 	<p><u>Management Action Plans:</u></p> <ol style="list-style-type: none"> 1. An additional Kronos Super User was hired in April 2015 and Payroll is interviewing for a third Kronos Super Editor position. 2. A central inbox for Kronos related emails for communication, questions and adjustments was implemented in September 2015. 3. A second layer management review was implemented in September 2015 for critical Kronos reporting and overall reasonableness. <p><u>Action Plan Owners:</u></p> <p>Director of Payroll, Office of Accounting</p> <p><u>Target Completion Dates</u></p> <ol style="list-style-type: none"> 1. Completed 2. Completed 3. Completed

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p>Risk Rating: Low ●</p> <p>8. Provide additional training on Kronos system</p> <p>Department managers identified a need for re-fresher Kronos training for their staff. In addition, managers indicated they need Kronos training specific to the workforce management tools available in the application.</p> <p>Because most high quality IT applications or systems are continuously being upgraded or updated, there is a need to regularly re-train users regarding these changes.</p> <p>Without sufficient Kronos training, management is unable to fully utilize all the tools that are available to them for workforce management; and UT Southwestern will not get the maximum return on its financial investment in the system.</p>	<ol style="list-style-type: none"> 1. Obtain direct (detailed) feedback from clinic and department managers regarding their specific Kronos training needs. 2. Provide Kronos training internally or in conjunction with the Office of Human Resources. 	<p><u>Management Action Plans:</u></p> <ol style="list-style-type: none"> 1. During implementation of the above mentioned action plans, all employees will be encouraged to attend additional Kronos training. 2. Kronos training will be included in the Onboarding Checklist. <p><u>Action Plan Owners:</u></p> <p>CFO, University Hospitals AVP & COO, University Hospitals AVP & CNO, University Hospitals AVP Surgical Services & Diagnostic Diseases, University Hospitals</p> <p><u>Target Completion Dates:</u></p> <ol style="list-style-type: none"> 1. November 1, 2015 2. November 1, 2015

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p>Risk Rating: Low ●</p> <p>9. Update Kronos to automate hours reporting for Management (Directors and above)</p> <p>The Kronos system is not currently programmed to capture the daily work schedule of University Hospitals exempt managers. As a result, an excessive number of manual adjustment transactions must be made each pay period to record in and out times for members of management. For example, over a three month period, the Hospital Administration Department processed over 1680 adjustments.</p> <p>Each manual entry requires management authorization; therefore, processing large volumes of manual entries is inefficient. These entries are also subject to manual error.</p>	<p>1. Configure the pay rule in the Kronos system to auto populate the work schedule of exempt managers, requiring adjustments and authorizations for exceptions only.</p>	<p><u>Management Action Plans:</u></p> <p>1. Discuss with executive owner and HR the definition and limits of exempt managers to be included. Modify an existing rule or create a new pay rule to cover these managers. Change exempt managers to this new pay rule.</p> <p><u>Action Plan Owners:</u></p> <p>Associate Director, Hospital Business Systems (IR) AVP, Application Systems (IR) Manager HRIS, Human Resources</p> <p><u>Target Completion Dates:</u></p> <p>1. November 30, 2015</p>

Appendix A – Risk Classifications and Definitions

As you review each observation within the Detailed Observations and Action Plans Matrix of this report, please note that we have included a color-coded depiction as to the perceived degree of risk represented by each of the observations identified during our review. The following chart is intended to provide information with respect to the applicable definitions and terms utilized as part of our risk ranking process:

Risk Definition - The degree of risk that exists based upon the identified deficiency combined with the subsequent priority of action to be undertaken by management.	Degree of Risk and Priority of Action	
	High	The degree of risk is unacceptable and either does or could pose a significant level of exposure to the organization. As such, immediate action is required by management in order to address the noted concern and reduce risks to the organization.
	Medium/High	The degree of risk is substantially undesirable and either does or could pose a moderate to significant level of exposure to the organization. As such, prompt action by management is essential in order to address the noted concern and reduce risks to the organization.
	Medium	The degree of risk is undesirable and either does or could pose a moderate level of exposure to the organization. As such, action is needed by management in order to address the noted concern and reduce risks to a more desirable level.
	Low	The degree of risk appears reasonable; however, opportunities exist to further reduce risks through improvement of existing policies, procedures, and/or operations. As such, action should be taken by management to address the noted concern and reduce risks to the organization.

It is important to note that considerable professional judgment is required in determining the overall ratings presented on the preceding pages of this report. Accordingly, others could evaluate the results differently and draw different conclusions.

It is also important to note that this report provides management with information about the condition of risks and internal controls at one point in time. Future changes in environmental factors and actions by personnel may significantly and adversely impact these risks and controls in ways that this report did not and cannot anticipate.

Appendix B– Kronos Interface Overview

Interface Overview

