



INTERNAL AUDIT REPORT  
Exempt (Salary) Employees and  
Compensatory Time off Review  
May 3, 2019  
FINAL

MCHENRY COUNTY AUDITOR'S OFFICE

**Internal auditing** is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance process.

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## EXECUTIVE SUMMARY:

Finance and Audit Committee Members,

Auditor's Office performed an internal audit over the "compensatory time off" benefit to ensure that only non-exempt (hourly) employees are receiving this benefit. This internal audit was performed due to prior completed audits on payroll and to verify benefit compliance. Additionally, the Auditor's Office wanted to verify the Personnel Policy is being followed related to compensation time off and determine if additional controls are necessary. Per the Personnel Policy Manual, exempt (salary) employees shall not receive compensatory time off for hours worked in excess of forty hours per work week and non-exempt employees can only accrue up to 40 hours of compensatory time off.

The internal audit function performed the following procedures during the course of the audit:

1. Reviewed a list of all County employees who received compensatory time from FY2018 and compared against a list of active exempt County employees on 3/25/2019.
2. Each employee that received comp time and was salary was reviewed in the ADP Payroll system to validate if they were exempt or nonexempt in FY18. 18 employees were reviewed. It was noted that 14 employees became exempt employees during FY2018 through the compensation study that was enacted in July of 2018 and three (3) employees became exempt through a promotion.
3. Verification was made that 17 employees did not earn compensatory time after becoming an exempt employee. This was completed by comparing the comp taken dates to their position change date. Payroll stub data was reviewed for the one exempt employee who received "comp taken time" in fiscal year 2018.

The Auditor's Office noted one exempt employee who received comp taken time of 87.50 hours in FY18. The employee's employment contract with the County of McHenry does not outline compensatory time to be credited to the employee for overtime worked. Only vacation and sick may be accrued at the highest employee rate and without limit. The employee was recorded in ADP with "comp earned" time of 75 hours for several pay periods. Additionally, substantial overtime was recorded in notes and comments section in the ADP system prior to the comp earned system setup to support the additional comp time taken. The employee worked overtime during fiscal year 2018 due to a system implementation and preparation for a leave of absence. Department head approval was obtained.

The Auditor's Office recommendations are:

- 1) To address the "root cause" of this finding, it is recommended that the supervisor (or the person this employee reports to) of this employee approve all time submitted by this employee in the ADP system specifically including classifications of any daily hours reported that are sick, vacation, or other type of categories of time to ensure compliance with the County's Personnel policy and employment contracts. Consultation with HR Director is recommended in these cases.
- 2) It is recommended that the Finance and Audit Committee should discuss the comp time for consideration of approval taken by ratification or other actionable measures at their next meeting.
- 3) Going forward, it is recommended that for all future similar scenarios that the Finance and Audit Committee and/or other appropriate committee(s) approve such deviations from the County's Policy or employment contract.

Sincerely,

Shannon Teresi, MAS, CPA, CIA, CFE, CRMA /County Auditor