Counties Looking at Controlling Labor and Overtime Cost
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According to a news item in the Craig Daily Press (based on information provided by a commercial vender of a web based time system), Moffat County Social Services and the social service departments of Lake, Otero, Prowers, Sedgwick and Yuma have or will begin tracking employee attendance and work hours electronically. There are two types of electronic systems. The first is an electronic login/time clock system that tracks time on a computer for workers who actually work on computers, and the second is an electronic data sheet entry system (which just requires writing" the time sheet data onto a computer form).

Regardless of who does the entry and how long it takes, time spent filling out a time sheet is a task assigned by the employer to an employee for the benefit of the employer's accounting system. The employer could require the exempt supervisor to observe and record employee start and stop times for each individual employee if it so chose. Because the time recording is a legal duty of the county, it would be paid time for each of the employees recording it, regardless of the system used. Time clocks are popular because they are automated data entry and take a minimum of employee time.

Rounding time up or down under any system under the Fair Labor Standards Act (FLSA), nonexempt employees must be paid for every minute worked. It is the duty of the employer to maintain records of time worked by its employees. To accomplish this, many employers have an electronic time clock, which employees use to "punch in" and "punch out" at their starting and ending times. Neither the FLSA nor Colorado law require employers to use time clocks, but employers should have explicit policies that direct employees and to record and review time sheets consistently in a way that will, over time, be compliant with the FLSA.

One question that often arises from employers is how to handle "rounding time worked." If an employee must be paid for all time worked and he clocks in at 8:01 a.m., must the employer's payroll system generate a payment for one hour and one minute? If not, does the employer have to pay the employee for one hour and 15 minutes if its payroll system is set up to pay in 15-minute increments?

The FLSA does permit "rounding" of an employee's starting and stopping times. The Department of Labor has a rule that deals with this question. According to 29 C.F.R. Sec. 785.48(b): In some industries, particularly where time clocks are used, there has been the practice for many years of recording the employee's starting time and stopping time to the nearest five minutes, or to the nearest one-tenth or quarter of an hour. Presumably, this arrangement averages out so that the employees are fully compensated for all the time they actually work. It is possible for a time recording policy to clarify the recording method so as to require its use among employees and managers.

As an example, assume that the employer pays in 15-minute increments and has an established practice of rounding working time in this amount. This method is acceptable, provided that the rounding must not always benefit the employer--the rounding method must "average out." To ensure that you are "averaging out" the employee's working time when using a rounding method to calculate time worked, you have three options:

1. Always round up to favor the employee. (This works just fine for some employers due the easy calculations and certainty of compliance). You may not always round down to favor the employer nor may you always round down at a time of day that is known to more often "go over".

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2. Round up to favor the employee at starting time and round down to favor the employer at ending time. (A little complicated for many payroll systems but workable for others). Or, reverse the method.

3. Round up and down based on the increment. For example, if the employee reports to work at 8:08 a.m, he would be paid for time worked beginning at 8:15 a.m. If he clocked in at 9:07 a.m., he would have to be paid for time worked beginning at 9:00 a.m. This is using the mathematical rounding system taught to grade schoolers.

Over time, the presumption is, one of these methods would even out in a way that is fair to both employer and employee.

What This Means For Counties

In considering the move from handwritten time sheets with signatures and verification by employees and supervisors, to a web based automated tracking system for time sheets, a few factors should be analyzed. First, the labor costs created in moving the data entry point from paper to computer should be considered. An automated system essentially moves the data entry task from payroll clerks (presumably familiar with the department or county accounting rules) to all other employees, and some of those employees may be higher paid than the payroll clerks—not a cost savings.

The employees outside of payroll may also be less familiar with the payroll system rules than the payroll staff. Although data entry always has a risk of error, the risk of error could be compounded if many more employees were required to do the data entry to the payroll system. If the system being considered has error messages that prevent data from being entered incorrectly, how long will it take each employee to "figure out" how to get their time sheet filled in? Is this more or less than the old method of doing data entry off a handwritten time sheet? One should not rely on vender estimates of this time as their goal is to sell the software.

Does the system have a method of verifying that the person who is entering, changing, or approving the data, is actually who they say they are? This avoids problems with data integrity, which always exist for time sheets, but would be multiplied in a computer system with multiple data entry points. Data integrity problems would increase risks for wage hour claims. Many departments already have IT systems that build in user identify integrity, such as the DHS systems, so this is less of an issue for departments that are already required to have full IT security and integrity.

Other considerations are the cost of providing computer access to employees who do not routinely use computers; whether or not the employees normally work with a computer; and whether or not the data entry of hours worked will be more or less accurately recorded under the method chosen. Also relevant is the degree to which the county can maintain control over the accuracy and consistency of the method for logging and rounding up or down actual hours worked. Finally, the employee has to be able to input hours taken for paid and unpaid leave. For all of these reasons, an ideal type of method would be a time clock (punch) system that can transfer the time clock data directly to the payroll time sheet system. It would be accurate for logging hours and an efficient method for most county departments, including accounting.

For more information, contact CTSI at 303-861-0507.