



MIAMIBEACH

BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

INTERNAL AUDIT REPORT

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FROM: James J. Sutter, Internal Auditor



DATE: January 20, 2009
AUDIT: Selected Departments' Payroll Processing Audit
PERIOD: 2007 Payroll Year

This report is the result of a regularly scheduled audit of the payroll processing functions as performed by Building; Code Compliance; Fleet Management; Parking; Parks & Recreation; Property Management; Sewer, Stormwater, Streets and Water and Sanitation Divisions of the Public Works Department and Tourism & Cultural Development Departments for selected 2007 pay periods. In addition, processing steps within the Finance Payroll Section were reviewed for adequacy. These divisions/departments were individually analyzed and chosen as we believe that they provide a representative cross section of the City. Those chosen also include the City's largest departments by number of employees, excluding Police and Fire which recently implemented TeleStaff and will be audited separately.

INTRODUCTION

Resolution No. 2004-25546 authorized the City to purchase an enterprise financial and administrative system from Eden Systems, Inc. Included were a number of functional system programs/modules such as general ledger, accounts payable, payroll, etc. to be subsequently implemented at designated dates. The payroll module was made operational in January 2005 replacing the one previously supplied by Cyborg Systems, Inc.

The City's payroll system operates primarily as exception based meaning that salaries are paid based on a "standard" 80-hour biweekly work period unless such "exception" hours as leave, out of class, overtime, etc. are entered. Active non-hourly employees receive a full paycheck unless an entry is made in the system showing that the employee took time off without pay.

The corresponding departments/divisions are to internally maintain Absentee Reports (used to document sick time usage), Leave Request Forms (used to document vacation time usage), Overtime Authorization Forms (used to document overtime usage), Supplemental Pay Request Forms (varies by user but is primarily to document out of class, court appearances, diving and overtime pay) etc. supporting these entries. The time entry function is performed on-line via personal computers installed in the various user departments by departmental payroll coordinators.

Designated departmental supervisors are then required to review and attest to the accuracy of the payroll data that must be submitted to the Finance Department's Payroll Section typically by 10:00am Monday every other week for processing. The payroll data can be presently submitted through either entry into the Eden QuickEntry screen or by uploading directly into Eden from either Novatime (the hand reading time clock system) or TeleStaff (used by the Police and Fire Departments). Manually prepared Weekly Time and Attendance Forms (WTAFs) are also to be maintained by the departments with the original sent to Finance. These forms provide supporting documentation to the hours paid and could be compared by Finance.

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The following table summarizes the earning and accrual of leave time for an eight hour per day, five day per week City employee:

Type of Leave Time	Accrual Rate	Usage	Maximum
Sick	3.69 hours per pay period	Accrue until used	Varies per union contract
Vacation	3.69, 5.23 or 6.76 hours per pay period depending on years of service	Accrue until used	Varies per union contract
Emergency Vacation	3 days per year	Expire at year end	24 hours *
Floating Holidays	3 days per year	Expire at year end	24 hours *

* If the employee worked four ten hour weekly shifts, then the maximum number of hours would equal 30 hours (3 days x 10 hour shifts)

Unused sick and vacation hours accumulate until either taken, the listed hour maximum is exceeded at year end or they are paid out upon termination. Emergency time is charged when the employee does not obtain the requested days off in advance due to unforeseen conditions and notifies the City shortly before their shift starts. In this instance, the employee is charged either emergency vacation or floating holiday time at their discretion rather than sick time. Floating holidays can be used on the first day of the payroll year and are carried forward until expiring on the last day of the payroll year to be used as desired by the employee, subject to approval by their supervisor.

Active hourly or Classified employees are required to work a full eighty hours to be paid as such. Therefore, if they arrive more than six minutes past their designated starting time than City policy states that their pay should be docked accordingly. However, if they arrive late or up to six minutes past their designated starting time then their pay is not affected but it is to be documented and noted on their paycheck.

Overtime is defined by the union contracts and City policies and can be paid at different rates depending on the context of the hours worked. For example, all hours worked in excess of the 40 hour work week are typically paid at 1.5 times the employee's straight hourly rate, however; sick days do not count towards the hours worked. Overtime Authorization Forms are to be approved in advance and signed by the employee's designated supervisor(s).

Occasionally, an employee's paycheck is incorrect for a variety of reasons and was not detected prior to issuance. In these cases, payroll adjustments are prepared to rectify the mistake. A form is completed identifying the problem, how it should be corrected, and signed by both the preparer and the division head. This payroll adjustment form is subsequently forwarded to Human Resources if it involves leave time and to Finance if it concerns pay. When able, the payroll adjustment is processed and identified on the employee's paycheck. It should be reviewed by both the originating department and the employee for accuracy.

Alternate holidays occur when an employee reports to work on a City recognized holiday. The employee receives holiday pay typically equal to time and one half for the hours worked plus additional time off in the future equal to the hours worked.

The City currently employs approximately 2,000 employees with biweekly payroll costs totaling roughly \$3,000,000 including fringe benefits. Pay rates, allowances and other types of pay are generally specified and authorized by City salary ordinances, labor agreements or by City policy.

The Human Resources (H.R.) Department has the overall responsibility for processing all items that

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create or change an employee's master record, i.e. hiring, termination, pay rate changes, employee transfers, classification changes, etc. The Human Resources Department verifies these changes, terminations, new hires, etc. before each payroll is processed. Similarly, the Finance Department's Payroll Section has the overall responsibility to collect Payroll Weekly Time and Attendance Forms submitted by all departments, prepare, distribute and account for payroll checks, and prepare necessary payroll adjustments. Eden Systems, Inc.'s payroll module automatically makes biweekly journal entries to distribute accounting charges with payroll accruals done quarterly. Finally, the Information Technology (I.T.) Department is responsible for the running and maintenance of the payroll system programs used to produce the biweekly payrolls.

OVERALL OPINION

This audit provided a cross sectional review of the payroll records maintained and the processing techniques performed in the City. Although our review typically found that departmental employees were paid correctly, we noted an exception rate of .05% for payroll shortcomings (errors in the processing of payroll) on the total dollars tested. While the financial impact is minimal in comparison to the total payroll, efforts should be made to further reduce these errors by providing additional training, supervision, and communication.

In addition, we believe there is a need for standardization. For example, the usage of the Eden Payroll Module should be expanded to also record such items as compensatory time, alternate holidays and emergency vacations. These codes already exist in Eden but they are rarely used by the departmental payroll coordinators most likely due to lack of training and knowledge. Furthermore, the continued implementation of Novatime at designated departments with 24/7 operations, off-site locations, etc. should be expedited to better improve payroll accuracy and reduce processing time. Shortcomings noted during testing are separated by division/department and are described further in the section entitled "Findings, Recommendations and Management Responses".

PURPOSE

The purpose of this audit is to determine that tested employees are accurately paid, leave balances are correctly accrued and deducted, supporting payroll and leave documentation is adequately maintained and properly approved, and that transactions are appropriately recorded in the City's Financial System during the 2007 payroll year.

SCOPE

Payroll processing testing was conducted on one selected payroll two week period during the 2007 payroll year for the Building, Code Compliance, Fleet Management, Parking, Parks & Recreation, Property Management, Public Works (Sewer, Stormwater, Streets and Water), Sanitation and Tourism & Cultural Development Divisions/Departments. The payroll year usually differs slightly from the calendar year as it is based on the earnings received during the calendar year. For example, the 2007 payroll year consisted of 12/25/06 (Monday) through 12/23/07 (Sunday), which was paid to employees between 01/12/07 and 12/28/07. The audit scope consisted of the following:

1. Confirm that timely prepared, accurately completed and properly authorized supporting documentation is maintained by the tested departments/divisions
2. Confirm that tested employees' leave hours are correctly accrued and/or reduced.
3. Confirm that tested employees' earned overtime is paid at the correct rate.

4. Confirm that the Eden System, Inc.'s payroll module properly processed tested data input by departmental payroll coordinators.
5. Confirm that recorded balances of payroll related accounts and related supporting transaction activity are periodically substantiated and reconciled.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

BUILDING DEPARTMENT

1. Finding: Payroll Shortcomings
Review of the Building Department's payroll for the selected two week period ending 02/18/07 found one payroll deficiency (1.59%) for the 63 employees' records tested. A payroll adjustment was prepared to charge 8 hours sick time to employee identification number 14474 but it was not processed by Human Resources for undeterminable reasons. Upon being notified by Internal Audit, a new payroll adjustment was prepared and timely processed by the Human Resources Department.

Recommendation(s):

Payroll coordinators should review and keep the biweekly payroll registers to ensure that submitted payroll adjustments are accurately processed rather than assuming completion.

Management Response:

The Building Department's Administration agrees to monitor and track payroll adjustments to ensure that they are accurately processed by Human Resources.

2. Finding: Documentation Deficiencies
Four of the thirty-four leave time documents reviewed or 11.76% were missing at least one of the required employees' signatures. All the missing signatures occurred on Absentee Reports, used when the employee is out due to illness.

Recommendation(s):

Payroll records should be complete with all required approvals and support all recorded hours and the corresponding payments made to employees.

Management Response:

Administration will check and ensure that all future Absentee Reports will have all the required signatures.

CODE COMPLIANCE DIVISION

3. Finding: Payroll Shortcomings
Review of the Code Compliance Division's payroll for the selected two week period ending 05/13/07 found 3 payroll deficiencies (8.33%) for the 36 employee records tested:
 - a. Employee identification number 16515 was injured while working and received ISC or "Injury Service Connected" pay for portions of 2006 and 2007 payroll years. Although not working for entire pay periods, he continued to receive the \$18.46 biweekly uniform cleaning allowance and was inadvertently overpaid by a total of \$369.20.
 - b. Eighty-eight non-overtime or regular hours were incorrectly entered for employee identification numbers 17713 and 14398 when the maximum for non-Fire Department employees is eighty. As a compensating control, the Eden System automatically

decreases their hourly rate so that their total pay is the same as if they worked 80 regular hours. However, the employees' sick and vacation accrued time was inflated as it was calculated at a higher rate due to the larger number of service hours (88 and not 80). Upon notification by Internal Audit, a payroll adjustment was promptly prepared and the employees' sick and vacation hours were corrected.

Recommendation(s):

The implementation of the following recommendations should help correct the aforementioned shortcomings:

- a. Cleaning allowances and the like should not be paid when the employee does not work at all during a given pay period. The Human Resources Compensation Division should be notified in the future so that they can temporarily stop these automatic pays. A determination should be made on whether the City seeks reimbursement for the \$369.20 overpayment from the aforementioned employee. Fortunately, the cleaning allowance for this employee was properly stopped and restarted during the current payroll year to help prevent additional overpayments from reoccurring.
- b. The payroll register should be more closely scrutinized for accuracy by the Department Director or his designee before paychecks are issued.

Management Response:

Some of the above findings are outside of the Code Compliance Division's control and would be better answered by the Human Resources Department. Also, the extension of the cut off time to noon rather than 10:00am would give additional time for payroll review.

4. Finding: Documentation Deficiencies

Review of fifty-one sampled Code Compliance Division's Absentee Reports during the payroll ending 05/13/07 found the following three or 5.88% documentation deficiencies:

- a. Employee identification number 13354's Absentee Report for 04/30/07 and 05/01/07 was not signed by the person receiving the phone call notification.
- b. Employee identification number 12620's Absentee Report for 05/10/07 was not provided for review.

Recommendation(s):

Payroll records should be complete and support all recorded hours and the corresponding payments made to employees.

Management Response:

Code Compliance Division is currently under new management and has developed a process improvement team to review procedures and make the necessary improvements. In response to the above findings, Code Compliance responds as follows:

- a. A new procedure will be implemented to ensure all employees report to their respective supervisors or manager on duty and proper forms are completed.
- b. The correct time was charged accordingly and a form has since been completed and filed.

FLEET MANAGEMENT DIVISION

5. Finding: Documentation Deficiencies

Review of the Fleet Management Division's payroll for the selected two week period ending 05/13/07 found two documentation deficiencies for the 23 employee records tested (8.70%):

- a. The standard procedure is to have the employee's supervisor document any missing

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clock in or out times on the applicable time card. However, two instances were noted of the eighteen reviewed whereby this evidence was not present. Yet, employee identification numbers 18828 and 18754 were paid in full for 05/04/07 and 05/03/07 respectively as no leave time was charged.

- b. The departmental payroll coordinator stores the applicable leave and overtime forms in the corresponding employee's file rather than together by individual payroll period.

Recommendation(s):

The implementation of the following recommendations by the Fleet Management Division should help ensure consistencies in payroll and provide a better audit trail:

- a. All instances where employees inadvertently forget to clock in or out and are not charged leave time should be properly documented by their supervisor on the time card.
- b. The preferred approach is to store all payrolls' supporting documentation together in one centralized location to facilitate locating the possible existence of any inaccuracies entered into the Eden System's Payroll Module and to reduce filing and retrieval time.

Management Response:

The Fleet Management Division will implement the recommendations of this audit effective immediately.

PARKING DEPARTMENT

6. Finding: Payroll Shortcomings

Review of the Parking Department's payroll for the selected two week period ending 09/02/07 found that leave balances were occasionally noted in the Eden System's "alt hol" (Alternate Holiday) category. Subsequent inquiries found that these listed hours should not have been present and it creates the possibility that unearned leave hours could actually be used.

Recommendation(s):

Any unsubstantiated balances should be researched and reported to the City's Human Resources Department to be prioritized and corrected as soon as possible.

Management Response:

The "alt hol" or alternate holiday balance issue was addressed and corrected last year.

7. Finding: Documentation Deficiencies

Three of the twenty Employee Timecard Reports reviewed or 15% were not signed by either the employee and/or their supervisor. The affected individuals were employee identification numbers 18411, 15273 and 16507.

Recommendation(s):

Payroll records should be complete and support all recorded hours and the corresponding payments made to employees.

Management Response:

We are now utilizing new timecards, and all pay period documents are thoroughly checked.

PARKS & RECREATION DEPARTMENT

8. Finding: Payroll Shortcomings

Review of the Parks & Recreation Department's payroll for the selected two week period ending 07/22/07 found the following 5 payroll shortcomings for the 323 tested employees (1.55%):

- a. Employee identification numbers 15331 and 18572 were apparently paid for 1.00 and 3.50 more hours of overtime respectively than listed on the provided Time Sheets.
- b. Employee identification numbers 18539 and 14939 were apparently underpaid by .50 and 3.75 overtime hours respectively.
- c. Employee identification number 18115 was charged 8.0 hours sick time when he actually reported to work that day. Upon notification, a payroll adjustment was promptly prepared to credit the employee 8.0 hours sick leave.

Recommendation(s):

The listed items should be further researched by the departmental payroll coordinator to determine if payroll adjustments are needed or if the differences were already corrected. Payroll records should be complete and support all recorded hours paid to employees.

Management Response:

For overtime hours, sometimes this happens on the weekends. For example when rentals run late and the employee works at a different site and does not write the hours on the time sheet or when the employee miscalculates their hours. This situation is not the norm. For sick hours, sometimes employees write the wrong information for the wrong day, but again it's not the norm and adjustments are done. Also, payroll adjustment are processed on a normal basis when these types of occurrences are encountered, as such was the case on the circumstances listed, if appropriate.

9. Finding: Documentation Deficiencies

Review of the Parks and Recreation Department's payroll ending 07/22/07 found the following documentation deficiencies:

- a. Absentee Reports were typically not prepared when a Classified or hourly employee did not report to work due to illness. Instead, the individual receiving the phone call would note on the Time Sheet that the corresponding employee would not be in that day with an occasional initial. Recent inquiries revealed that the department now prepares an Absentee Report when applicable.
- b. 07/10/07 and 07/13/07 Absentee Reports for Unclassified (non-hourly) employee identification number 17684 were not provided.
- c. Time Sheets for sampled employee identification numbers 12128, 17467 and 14939 were not properly completed as beginning and/or ending times were not present.
- d. Overtime derived from Playground Review for five employees was not pre-approved.
- e. 21st Street Administration and Greenspace Management Weekly Time and Attendance Forms were not properly approved by both the preparer and a designated supervisor.

Recommendation(s):

Payroll records should be complete and support all recorded hours and the corresponding payments made to employees. Furthermore, the Parks & Recreation Department should consider purchasing Novatime to process their payroll to expedite processing time and improve accuracy.

Management Response:

- (a-b) It is our procedure that when an employee calls out sick they must call in to a supervisor who denotes the absence on the time sheets. It is the employee's responsibility to fill out a leave request upon their arrival to work to account for the time they are out.
- c. Employees may forget to sign-in/out. They are advised that if they do this they will not be paid for the day.
- d. Most overtime is pre-approved, however there are some circumstances in which it is not because events run over, someone calls out and we need coverage, etc.
- e. Payroll sheets are signed by both the preparer and the supervisor.

The division is looking into a time system, either by hand reader or a card reader/swipe system. This is being reviewed and considered within the recreation budget for next year. This system will help prevent many of the audit findings from occurring and help further in eliminating the manual system problems. Playground Review time is very hectic and crazy for a 3 day period, but we will make sure these do not occur again. Payroll records are normally approved by the immediate manager, then again by the facility manager and the assistant directors.

PROPERTY MANAGEMENT DIVISION

10. Finding: Payroll Shortcomings

Review of the Property Management Division's payroll for the selected two week period ending 05/13/07 found two payroll shortcomings for the 64 tested employees (3.13%). Two employees' (identification numbers 11449 and 15859) hourly rates exceeded the maximum listed in the Salary Tables by \$.41 and \$.28 respectively. The Human Resources Administrator I over the Compensation Division was notified and is currently investigating the issue.

Recommendation(s):

The Human Resources Administrator I over the Compensation Division was notified and is currently investigating the issue.

Management Response:

Processes for identifying the various types of absences and salary scales have been reviewed.

11. Finding: Documentation Deficiencies

Review of the Property Management Division's payroll ending 05/13/07 found the following 13 documentation deficiencies for the 64 tested employees (20.31%):

- a. The departmental payroll coordinator uses Supplemental Pay Request forms to determine whether overtime, out of class and diving/steeplechase hours were approved and should be paid. Review of thirty-one provided forms found that two (6.45%) were not provided for employee identification numbers 11449 and 13835 who worked overtime on 05/01/07 and 05/08/07 respectively.
- b. The jury summons for 4/30/07 sent by the Clerk of Circuit and County Courts was provided for employee identification number 17710 but a supporting leave document for 04/30/07 and 05/02/07 was not provided.
- c. Replacement Absentee Reports, Leave Request forms and Supplemental Pay Request forms were prepared after Internal Audit's notification for ten different instances worked by employees as the original documents could not be located.

Recommendation(s):

Payroll records should be complete and support all recorded hours and the corresponding payments made to employees.

Management Response:

The use of proper forms to account for various pay situations has been reviewed and will be closely followed.

PUBLIC WORKS (SEWER, STORMWATER, STREETS & WATER)

12. Finding: *Documentation Deficiencies*

Review of the Public Works Division's payroll for the selected two week period ending 09/02/07 found the following 13 documentation deficiencies for the 117 tested employees (11.11%):

- a. The NovaTime hand scanner system has been used for most Classified employees since 2001. Yet, the collected payroll information is not imported directly into Eden as it is re-entered into the Eden QuickEntry screen manually thereby increasing the likelihood of mistakes as well as being an inefficient use of time.
- b. Eleven employees did not clock either in nor out in the Novatime System and no documentation was present indicating whether the employee actually worked their normal shifts that they were subsequently paid for.
- c. Employee identification number 17377 did not clock out on 08/26/07. Someone properly wrote in the employee's exit time but they did not initial it to provide proper support for approval.
- d. Employee identification number 16530 took four days compensatory time (08/20 – 08/23/07) and it was entered as regular time. Documentation was not provided showing the dates and times that the compensatory hours were earned.

Recommendation(s):

The Public Works Department should coordinate with the Information Technology and Finance Departments to automate the importing of payroll data directly from Novatime into the Eden System. In addition, payroll records should be complete and support all recorded hours and the corresponding payments made to employees.

Management Response:

Public Works agrees to work with the Information Technology and Finance Departments to determine the feasibility of having the current Novatime System version used import the collected payroll data directly into Eden. Also, the following procedures were added in order to achieve accurate documentation of the activities of all employees:

- * It will be noted on the Novatime report when having trouble running the report and signed by the Assistant Director.
- * If an employee forgets to clock in or out because they were distracted by their Supervisor, then the Supervisor will vouch for the time the employee started his/her shift or ended his/her shift by writing the time and initialing it on the Novatime report.
- * All employees will be served a Departmental Warning document when they have not clocked in or out for any other reason to provide a better audit trail. The Departmental Warning document is used by Public Works to record those occasions where employees violate departmental policy such as not clocking either in or out, arriving late, etc. It is signed by the employee and their supervisors and a copy is maintained in their employee file.

SANITATION DIVISIONS 0430 AND 9962

13. Finding: Payroll Shortcomings

Review of the Sanitation Department Division 0430's payroll for the selected two week period ending 02/18/07 found the following 4 payroll shortcomings for the 56 tested employees (7.14%):

- a. Employee identification number 16980 was incorrectly paid overtime for 7.08 hours worked on 02/06/07.
- b. Employee identification number 18699 was not paid for 8.00 hours worked out of class on 02/13/07.
- c. Employee identification number 18602 was not charged 16.00 hours of floating holiday time for leave time used during the pay period.
- d. Employee identification number 17104 was not charged 8.00 hours of alternate holiday time on 02/14/07.

Similarly, review of the 47 employees in Sanitation Division 9962's entire payroll for the same selected two week period ending 02/18/07 found the following 2 payroll shortcomings (4.26%):

- e. Employee identification number 17257 was not charged .50 hours of sick time on 02/15/07.
- f. Employee identification number 18518 was docked 8.00 hours pay on 02/12/07 when she should have been charged alternate holiday hours.

Recommendation(s):

The departmental payroll coordinator and payroll reviewer should more closely scrutinize the payroll before it is submitted and payroll checks are issued.

Management Response:

Sanitation is in agreement with the findings by Audit for the sampled 2007 payroll period. We made adjustments to correct the issues that occurred. Since then we have been advised by Compensation that employees no longer accrue and/or can use alternate holidays which caused us to submit adjustments to take the alternates from the employee(s) banks and compensate them with OT1. We are to compensate them by using OT1 if it's their day off when it falls on a Holiday, per the Compensation Division of Human Resources. We have spoken with the current payroll coordinator (Shelly Fernandez) to advise her on the proper way to calculate overtime as well as what the contract(s) for these employee(s) state on how they should be compensated when working overtime is being performed.

14. Finding: Documentation Deficiencies

The following occasions were found whereby either leave or overtime supporting documentation was not provided by the Sanitation Division:

<u>Division</u>	<u>Exception Type</u>	<u>Number of Instances</u>
0430	Leave	11
0430	Overtime	3
9962	Leave	14
9962	Overtime	3

Many of the missing leave slips were for employees who work outside of the office who

called in sick. The present practice is to have the absentee report prepared in the office and then subsequently given to the operational supervisors to get the employee's signature. The office does not keep a copy and frequently the absentee report is not returned by the operational supervisors so there is no written record of the event.

Recommendation(s):

Payroll records should be complete and support all recorded hours and the corresponding payments made to employees. At a minimum, the departmental payroll coordinator should maintain an unsigned copy of the absentee report before giving it to the operational supervisors. However, the operational supervisors also need to make a better effort to get the forms timely signed and returned.

Management Response:

These identified errors occurred in 2007 when the Sanitation Division was in a transitional phase. We had a new payroll coordinator (Shelly Fernandez) and new/promotional operational supervisors that were not as familiar with the process as the individuals that were previously in these positions. We have placed standards in place to ensure that payroll is processed accurately and in a timely manner. For example, overtime must be approved/signed off by the Superintendent prior to working. The slips for overtime, OOC (out of class pay) and leave (vacation, floaters, birthday, and religious time) must be signed off by the Superintendent and turned in to the payroll coordinator prior to the close of payroll. The operational supervisors are required to review the payroll time sheets/employee timecard to ensure that they are documented accurately and submitted to the payroll coordinator in a timely manner. In addition, each operational supervisor is required to complete a daily attendance log of the employees that are under their direct supervision to ensure that in the case of their absence the payroll coordinator is able to retrieve their daily records to ensure that she has documentation of the employees being present and/or absent from work. The payroll coordinator also reviews the batch summary for the first week after she enters the payroll and the Friday before the Monday that she is supposed to submit the payroll for processing to ensure that there are no discrepancies or errors in processing payroll for 0430 & 9962.

TOURISM & CULTURAL DEVELOPMENT

15. Finding: *Documentation Deficiencies*

Review of the Tourism & Cultural Development Department's payroll for the selected two week period ending 02/18/07 found the following 3 documentation deficiencies for the 9 tested employees (33.33%):

- a. Weekly Time and Attendance Forms (WTAF) are not being prepared nor submitted to the Finance Department.
- b. Employee identification number 18113 did not sign the Absentee Report dated 02/07/07.
- c. The Leave Request Form for employee identification number 17511 was dated four days after the last day taken off.
- d. No documentation was provided showing the usage of 40 hours compensatory time by employee identification number 17575.

Recommendation(s):

Payroll records should be complete and support all recorded hours and the corresponding payments made to employees. In addition, WTAFs should be prepared weekly and timely forwarded to the Finance Department. Finally, the Finance Department should pursue collection of missing WTAFs from the corresponding divisions/departments to ensure that all

are accounted for.

Management Response:

Payroll records will be reviewed weekly to ensure completeness and that the recorded hours have corresponding documentation.

- a. The departmental payroll coordinator was unaware that WTAFs were required until recently. They are now prepared weekly and sent to Finance Department every pay period. Missing WTAFs will be sent.
- b. All reports and leave slips will be signed by the respective employee.
- c. This employee requested the time off verbally to the employee's direct supervisor. He forgot to complete Leave Request Form and was reminded upon his return.
- d. Forty hours of compensatory time was awarded to the employee on Feb 5-9 for additional time worked at Super Bowl events. The Department Director e-mailed the payroll coordinator to add the compensatory time to the employee, however we cannot find record of this e-mail as the payroll coordinator at that time is no longer in this department. As of today, 8 hours of the comp time has been used and 32 remain.

ALL TESTED DEPARTMENTS/DIVISIONS

16. Finding: Floating Holidays

City policy authorizes employees to receive three paid floating holidays as of the beginning of each payroll year to be used at the employee's discretion with the approval of their supervisor, but they cannot be accrued and are lost if not used by the end of the payroll year. The corresponding amount of assigned floating holiday hours is based on the length of the employee's shift at the time of usage and is assigned by the Eden System's Payroll Module. Internal Audit's review of the floating holiday hours assigned found that the following employees, separated by City division/department, were assigned more hours than entitled:

Division/Department	Affected Employee Identification Number(s)
Building	18661, 18806, 18755 and 18756
Code Compliance	15711, 16515, 18728 and 17110
Parking	17433, 15574, 17110, 17534, 13918, 17115, 15273, 17947 and 18917
Property Management	18654, 18826 and 18688

Recommendation(s):

Floating holiday leave hours should not exceed three full working days or 24 hours for an 8 hour day employee, thirty hours for a 10 hour day employee and so on at the time of usage. Periodic reviews should be performed by Human Resources to ensure that leave hours accrued are at the same rate as the employee's normal work day. If employee's work day hours change, then Human Resources should be notified concurrently to adjust the accrued leave hours accordingly.

Although Human Resources said that this problem was resolved globally through Eden for the 2008 payroll year, Human Resources should conduct a thorough review to determine if any of these employees used more than their allotted share of floating holiday leave hours for the 2007 payroll year. If so, payroll adjustments should be immediately completed whereby the employee is charged leave time to make the City whole.

Management Response:

A review of the holiday leave hours accrued and used by these employees show that, with the exception of two employees, all accrued and used the appropriate number of holiday leave hours. One employee accrued the appropriate number of holiday leave hours, but the payroll coordinator entered holiday leave hours in excess of those accrued. A payroll adjustment is being completed to reverse those hours. One employee accrued the appropriate number of holiday leave hours, but additional hours were banked for some unknown reason. The employee did not take holiday leave above the appropriate accrual, so no adjustment is necessary.

17. Finding: *Emergency Vacations/Compensatory or Administrative Time*

City employees are entitled to receive three instances of emergency vacations during a payroll year without prior approval. Questioned payroll coordinators manually document and track these emergency vacations through Excel spreadsheets, handwritten note cards, etc. rather than through the Eden Payroll Module.

In addition, City employees may earn compensatory time at the City's discretion for working as goodwill ambassadors, etc. in return for working hours in excess of their normal shift, etc. Review of the tested departments/divisions found that compensatory time was frequently recorded manually by payroll coordinators rather than through the Eden Systems Payroll Module.

Recommendation(s):

The City should consider whether emergency vacation instances can be tracked through the Eden Payroll Module to facilitate recordkeeping, reduce mistakes, prevent disagreements, etc. Also, the City should require uniform recording of compensatory time through the Eden System to facilitate recordkeeping, prevent mistakes, etc. One Eden Systems ben/ded or payroll code should be used exclusively to track any accumulated compensatory hours earned and their subsequent usage.

Management Response:

Payroll codes have previously been established for emergency leave usage (Emergency Vacation - EVAC, Emergency Floating Holiday -EFLO, etc.), and payroll coordinators have been trained to enter emergency leave usage through the EDEN Payroll Module. As this appears to be an area of concern, additional explanations and training will be provided to payroll coordinators and to the management team on how to use and enter emergency leave usage.

The Compensation Division of the Human Resources Department will establish a payroll code for compensatory time earned by serving as a Goodwill Ambassador and through other programs. A bank will be created for each employee who earns such leave, and payroll coordinators will be able to deduct usage in the EDEN system. Training on the new payroll code will be provided to payroll coordinators.

18. Finding: *Leave Time Adjustments*

Instances were noted where the actual leave hours charged differed both higher and lower from the provided supporting documentation (Absentee Reports, Leave Request Forms, Overtime Request Forms, etc.). Although most of the differences were less than an hour, they should be in agreement and attached to the Weekly Time and Attendance Forms (WTAFs) showing that all parties agree to the stated leave hours.

Recommendation(s):

When differences occur between the supporting documentations' leave hours and those actually taken, the form should be amended with all corresponding parties initialing the change showing their approval. Otherwise, the possibility exists that disagreements could occur and the audit trail is hindered.

Management Response:

Additional training for payroll coordinators will be provided regarding the appropriate documentation of hours used.

19. Finding: *Late or Tardy Employees*

Tested departments/divisions treat hourly or Classified employees arriving late (up to six minutes past their designated starting time) and those considered tardy (arriving more than six minutes past their designated starting time) differently. Some enforced it literally with no exceptions; others allowed employees to make up the time by working through lunch, staying late, etc.; and others did not dock employee's pay unless it was material and occurred repetitively.

The "late" ben/ded code appearing on the employees' paycheck is a memo item and does not impact pay. However, the "tardy" ben/ded code results in a corresponding reduction in the employees' gross pay.

Recommendation(s):

The City Administration should more clearly define late and tardy and the desired approach toward making up the time (if permitted). Once decided upon, it should be widely circulated so that it can be uniformly and equally enforced by all departments/divisions.

Management Response:

Payroll codes will be amended to clarify the use of tardy. Additional training will be provided for payroll coordinators and supervisors to ensure consistent use of tardy charges. The City's management team will also be notified.

20. Finding: *Unsigned Time Cards*

Various reviewed classified employees' time cards were noted to be missing either the employees' or supervisors' signatures. Both should be present to indicate agreement as to the worked hours and the corresponding pay. It takes added importance in those instances where the time clock is malfunctioning, the employee forgets or is unable to clock in or out, etc. If missing, the payroll coordinator is required to contact the employee's supervisors to determine the actual hours worked on that day before payroll can be certified and submitted.

Recommendation(s):

All timecards should be signed by both the employee and supervisor to avoid potential future disagreements over hours worked. Any incomplete time cards submitted should be manually completed and initialed by the corresponding employee's supervisor and the employee as soon as possible. Otherwise, the more time that elapses the more difficult it is to either prove or disprove statements or worked hours.

Management Response:

Additional training for payroll coordinators will be provided regarding the appropriate documentation of hours used.

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21. Finding: Policies and Procedures

Inquiries with payroll coordinators and subsequent discussion with Finance and Human Resources personnel revealed that current policies and procedures do not exist to instruct coordinators on the proper method to perform and submit payroll. Instead, they typically rely on the instructions or any documents maintained by the prior payroll coordinators for assistance. If not present, they often contact other divisions/departments payroll coordinators or the appropriate Finance and Human Resources staff. These techniques for gathering payroll information could lead to incorrect or undesired procedures being used.

Meanwhile, new changes or information is relayed to payroll coordinators through mass e-mails by Human Resource personnel.

Recommendation(s):

All new departmental payroll coordinators should be required to attend training as to the proper method to process payroll. Similarly, refresher training could be offered as needed.

In addition, a policies and procedures manual should be created by the Human Resource Department to reinforce the desired means to complete payroll. This manual should be updated periodically and should be distributed to all payroll coordinators as a reference document. Inquiries revealed that the Human Resources Department is currently finalizing such a manual that pertains solely to their areas. However the Finance Department will need to complete written procedures for processing steps required for their area.

Management Response:

The Human Resources and Finance Departments are working to document processes and create a consolidated training manual outlining the entire payroll process for payroll coordinators. All payroll coordinators will be trained, and regularly scheduled refresher trainings will be required. Access to the Payroll Module will be closely monitored to ensure that required training is provided to and attended by assigned payroll coordinators.

EXIT CONFERENCE

The relevant sections of the audit report were e-mailed to the applicable departments/divisions. Sufficient time was granted for them to review the findings, ask any questions and to draft their management responses which were incorporated into our report.

Meanwhile, an exit conference was held with Human Resources and Finance Department staff to review the general content of the report. Participants included Assistant Human Resources Director Kristin Tigner, Human Resources Administrator I Paulette Rolle, Assistant Finance Director Georgina Echert, Expenditure/Treasury Manager Juan Rodriguez, Financial Analyst III Margarete Cesar, Internal Auditor James Sutter and Senior Auditor Mark Coolidge. Their final management responses were subsequently received on December 15, 2008 and were included above. All parties were in agreement as to the contents of this report.

JJS:MC:mc

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(audit performed by Mark Coolidge, Senior Auditor)

cc: Patricia Walker, Chief Financial Officer
Fred Beckmann, Public Works Director
Saul Frances, Parking Director

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Alex Rey, Building Director
Ramiro Inguanzo, Human Resources Director
Kevin Smith, Parks & Recreation Director
Georgie Echert, Assistant Finance Director
Max Sklar, Cultural Arts & Tourism Development Director
Michael Alvarez, Public Works Assistant Director
Robert Halfhill, Property Management Director
Drew Terpak, Fleet Management Director
Kristin Tigner, Human Resources Assistant Director
Alberto Zamora, Sanitation Director
Juan Rodriguez, Expenditure/Treasury Manager
Gregory Tindle, Code Compliance Division Director
Maggie Cesar, Financial Analyst III
Paulette Rolle, Human Resources Administrator I