

**Payroll Expenditures Follow-Up Audit
August 2011**

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Payroll Expenditures Follow-Up Audit



Office of the City Auditor
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Executive Summary

*All prior audit
recommendations have
been fully implemented*

Fully Implemented

- *Updated policies and procedures to help ensure proper controls within the payroll process*
- *Periodic review of additional pay recipients*
- *Reimbursement for tuition payments sought from those terminating employment within the specified two-year period*

The City Auditor's Office has completed a follow-up to the February 2011 Payroll Expenditures Audit. The follow-up audit was conducted in accordance with generally accepted government auditing standards, except for peer review. Those standards 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The objective of the follow-up was to determine the implementation status of prior audit recommendations.

There were four recommendations included in the initial audit report for which management concurred. The City Auditor's Office concluded that all four of the prior audit recommendations have been fully implemented.

With relation to prior audit recommendations, management has:

- 1) updated policies and procedures to require that each Department Head's approval of additional pay, or delegation thereof, is retained;
- 2) developed additional procedures to ensure that additional pay entries are authorized;
- 3) developed a procedure to periodically verify the accuracy of additional pay records; and,
- 4) developed procedures to ensure that employees who receive educational assistance (tuition reimbursement), but terminate employment within two years afterwards, repay the amount of the assistance.

Audit Scope and Methodology

The City Auditor's Office reviewed various documents relating to this follow-up audit. The following methodology was used in completing the audit.

- Reviewed initial audit report and management's responses
- Reviewed updated policies and procedures
- Reviewed various procedures that were implemented in order to better control and protect the payroll expenditure process

Status of Prior Audit Recommendations

Recommendation:

The Director of Financial and Management Resources should update policies and procedures to require that documentation of Department Head/Supervisor approval of additional pay be retained, including documentation of any delegation of that responsibility.

Management's Response:

Concur. The Position Control Coordinator, under the supervision of the OMB Coordinator, will update the policies and procedures to require this documentation. Departments will be notified of the policy in a memo from FMR.

Target Date: March 31, 2011

Responsibility: April Nixon, Director of Financial and Management Resources

Implementation Status:

Fully Implemented. The Director of Financial and Management Resources issued Department Heads a memo dated April 20, 2011. The memo stated:

“Effective immediately, department head approval is required for all requests for employee additional pays. A department head may designate one or more persons or positions to approve additional pays on his or her behalf. Such authorization must be sent in writing via email from the department head to Tammy Smith, the Position Control Coordinator, where it will be kept on file for reference. Additional pays will continue to be requested by completing an Additional Pay form, emailed to the Status Authorization mailbox by a person authorized to approve additional pays. ...”

This memo was made a part of the FMR policies and procedures and was effective on April 20, 2011. The Position Control Coordinator verifies proper approval prior to entering any requested additional pay.

Recommendation:

The Director of Financial and Management Resources should require that a Payroll staff member identify and confirm that additional pay entries recorded in Lawson by the Position Control Coordinator are complete and properly supported.

Management's Response:

Concur. Currently the Lead Data Entry Operator confirms that all additional pay entries supported by authorized Additional Pay Forms are correctly recorded into Lawson. The Payroll Supervisor will take additional steps to develop a procedure to reasonably identify additional pay entries that may be entered in Lawson but are not properly supported by an authorized Additional Pay Form.

Target Date: March 31, 2011

Responsibility: Sherry Wright, Assistant Director of Financial Operations

Implementation Status:

Fully Implemented. Additional procedures to verify the accuracy of additional pay entries have been implemented. For each payroll run, the Payroll Supervisor compares the dollar amounts of each of the additional pay codes to those of the previous payroll run. If there is an increase, she reviews the documentation to ensure that the increase is approved and properly documented. This process will identify any additional pay increases that are not supported by an Additional Pay Form.

Recommendation:

The City Manager should consider requiring that department directors periodically (at least annually) confirm that employees receiving additional pay are still eligible.

Management's Response:

Concur. To assist in this effort, the Payroll Supervisor will send a complete list of employee additional pay records to each department director on an annual basis. The list will be accompanied by instructions directing each department head to review the additional pays and inform the Payroll Division of any ineligible recipient. The Payroll Division will then take any necessary corrective action.

Target Date: June 30, 2011

Responsibility: Sherry Wright, Assistant Director of Financial Operations

Implementation Status:

Fully Implemented. As previously stated, on April 20, 2011, FMR management issued a memo to each Department Head along with a listing of employees currently receiving additional pay within each department. The Department Heads were instructed to review the list for accuracy and initiate any necessary changes. Between the memo issuance and the May 6th deadline, there were 21 Additional Pay Forms completed. However, it could not be determined if these forms were a direct result of the departments' review process or if they were submitted due to normal business activity. FMR personnel did not track the forms that were initiated as a result of this audit. FMR staff stated that this review procedure would be performed annually.

Recommendation:

The Deputy City Manager over Workforce Services should ensure that tuition repayment is sought from employees terminating employment within two years after receiving tuition reimbursement.

Management's Response:

Concur. Process improvements were implemented to ensure 100% compliance.

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Target Date: Completed.
Responsibility: Lisa Coburn, Workforce Services Manager

Implementation Status:

Fully Implemented. Follow-up audit results identified eight employees who received tuition reimbursement between March 2009 and June 2011, but terminated employment with the City within the 2-year period. Of the eight former employees, six had fully reimbursed the City, one had partially reimbursed the City, and the remaining one had not submitted any reimbursement. The Workforce Services Department was aware of which former employees had not reimbursed the City and had, therefore, sent certified letters to the two former employees from which reimbursements were due.

The Workforce Services Manager implemented additional procedures to ensure that the City seeks repayment from employees who receive tuition reimbursement, but do not stay employed by the City for two years, as required by policy. The current procedure involves dual review by the Workforce Services Manager and the Workforce Services Assistant. With two employees monitoring the process, there is much less likelihood of error or omission.