



GARLAND

INTERNAL AUDIT

Payroll Audit

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Report 201609

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Overall Conclusion

The City's payroll function is critical to City operations. IA noted that the Payroll Coordinator is extremely dedicated and knowledgeable of the payroll process. Despite the volume of requests processed by the Payroll Coordinator and in general, IA found that payroll is processed timely and accurately. However, the following issues were noted:

- The Payroll Coordinator processes payroll for an average of 2,290 employees each payroll cycle. Payroll was not processed by any other individual during the audit period in order to gain sufficient experience and knowledge.
- The City's Payroll system workflow capabilities are not activated. This was identified through a number of processing errors that occurred during the audit.
- The maturity of Civil Service vacation accrual rates occurs a year earlier than the stated in the City's Human Resources Directive 6 – Holidays and Leave (HR 6).
- A number of issues were identified relating to user access to the City's Payroll system.
- The Payroll Coordinator has access to change bank account and hourly rate information.
- The Police Department supervisors request and approve their own time in the Police Scheduling system.
- The Police Department requires the Payroll Coordinator to process an excessive number of requests during off-pay-cycle time frames. These requests are mostly related to leave balance corrections.
- Police contracts for grant reimbursements are not filed with the City Secretary's office.

Management was also provided with additional Opportunities for Improvement to enhance internal controls. These were not considered significant to the objectives of the audit, but warrant the attention of Management. Consequently, they do not appear in this report.

Authorization

We have conducted an audit of the Payroll Process. This audit was conducted under the authority of Article VII, Section 5 of the Garland City Charter and in accordance with the Annual Audit Plan approved by the Garland City Council. This audit was requested by the Senior Managing Director of Human Resources.

Objective(s)

1. Assess the payroll processes to verify that controls are in place to ensure the adequacy and reliability of data processed.
2. Verify proper classification of Temporary/Contract workers to ensure compliance with the Department of Labor definitions and the Affordable Care Act.

Scope and Methodology

IA conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. 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 scope of the audit was from January 1, 2015 to June 30, 2016.

To adequately address the audit objectives and to describe the scope of our work on internal controls, IA performed the following:

- Reviewed directives, policies and procedures and any other authoritative pronouncements (Obj. 1).
- Reviewed leave accruals to ensure proper alignment with the City Directives (Obj. 1).
- Recalculated terminated and retired leave accruals to ensure pay was appropriately calculated for the final paycheck (Obj. 1).
- Reviewed data to detect possible fictitious employees (Obj. 1).
- Obtained and reviewed payroll exception reports generated during payroll periods and compare to data extract from the City's payroll system to ensure all employees paid are active employees (Obj. 1).
- Sampled adjustments to ensure appropriate documentation exists (Obj. 1).
- Determined overtime pay codes used to override the system and compare to grant hours reported to ensure excess overtime was not paid (Obj. 1).
- Recalculated a sample of payroll to ensure accuracy of payroll calculations (Obj. 1).
- Determined pre- and post-tax pay components to ensure accurate calculations (Obj. 1).
- Developed a process flow-chart to ensure proper controls are in place (Obj. 1).
- Obtained a User Entitlement Review report and reviewed system access to ensure access is appropriate and no terminated employees have access (Obj. 1).
- Inquired with departments regarding the process to upload new scripts to the City's payroll system (Obj. 1).

During the course of the audit and based on discussions with the Human Resources Director, IA determined that due to time limitations and the limited scope to review the classification of temporary/contract workers, we could not appropriately address the second objective. As a result and upon approval from the Senior Managing Director of Human Resources, IA agreed to develop a new audit for this objective at a future date in order to fully address the risks identified.

Additionally, IA attempted to obtain user activity data directly from the City's Payroll system. IA's review of user activity within the City's Payroll system found that we could not determine if payroll batches were reopened for editing after approval. The information obtained from the system provided very limited detail on user activities within the City's Payroll system and, as a result, IA noted this as a scope limitation.

To assess the reliability of information obtained through the City's Payroll system, IA interviewed multiple individuals involved in payroll processing, reviewed source documents and reports, and compared information stored in multiple places in the system. Manual records were reviewed as part of IA's external audit testing and compared to data pulled from the City's Payroll system where possible. Accordingly, the data was sufficiently reliable for the purposes of this audit.

Based on the audit work performed, any deficiencies in internal control that are significant within the context of the audit objectives are stated in the Opportunities for Improvement Section on page 7.

Background

The City of Garland established a compensation and salary administration policy that is specific to employees based on their internal worth, external competitiveness within relevant markets, allows the City to reward its employees based on work performance and is consistent with the City Council approved budget ⁽¹⁾. For the purposes of the City's compensation and salary administration policy, employees are divided into specific categories depending on their function within the City ⁽¹⁾. Civil Service Employees consist of Fire and Police employees while General Employees refers to all other City employees ⁽¹⁾. Civil Service employees are covered by the Texas Local Government Code, Chapter 143 ⁽¹⁾. General employees are further categorized into groups of Exempt and Non-exempt ⁽¹⁾. Non-exempt refers to those employees whose overtime is covered under the Fair Labor Standards Act (FLSA) and are paid overtime or given compensatory time for hours worked in excess of 40 hours per work week. Exempt employees are those employees whose overtime is not covered by FLSA ⁽¹⁾.

Along with salary, a number of other benefits are offered to General and Civil Service employees paid by the City. These benefits include Standard Holidays, Personal and Bonus Holiday, Sick leave, and Vacation leave ⁽²⁾.

Vacation leave is accrued for General and Civil Service employees according to the following tables ⁽²⁾:

General Employees		
Years of Service	Vacation Hours Accrued Annually	Vacation Hours Accrued Per Pay Period*
0 through 4.99 yrs	80	3.08
5 through 5.99 yrs	88	3.38
6 through 6.99 yrs	96	3.69
7 through 7.99 yrs	104	4.00
8 through 8.99 yrs	112	4.31
9 through 9.99 yrs	120	4.62
10 through 10.99 yrs	128	4.92
11 through 11.99 yrs	136	5.23
12 through 12.99 yrs	144	5.54
13 through 13.99 yrs	152	5.85
14 or more yrs	160	6.15

Civil Service Employees				
Years of Service	Scheduled 40-hour Work Shift Vacation Hours Accrued Annually	Hours Accrued per Pay Period*	Scheduled 56-Hour Work Shift Vacation Hours Accrued Annually	Hours Accrued per Pay Period*
	1 through 9.99 yrs	120	4.62	180
10 through 10.99	128	4.92	192	7.3846
11 through 11.99 yrs	136	5.23	204	7.8462
12 through 12.99	144	5.54	216	8.3077
13 through 13.99 yrs	152	5.85	228	8.7692
14 or more yrs	160	6.15	240	9.2308

*IA calculated the number of hours earned per pay period by dividing the number of annual hours by the number of pay periods in a year.

Payroll Process

Payroll for the City of Garland is a critical function and is processed on a bi-weekly basis, or 26 pay periods per year. A 27th pay period is processed for annual stability pay in accordance with Human Resources Directive 4 – Compensation and Salary Administration (HR 4) ⁽¹⁾. Payroll for FY 2015 totaled \$175,422,906 ⁽³⁾ and the approved budget for payroll for FY 2016 was \$185,707,850 ⁽³⁾. The City currently pays an average of 2,290 employees each pay period ⁽⁴⁾.

Changes are initiated when Personal Action Forms (PAFs) are entered into the system by the Human Resources department. These PAFs are generated by departments to hire/terminate individuals, initiate wage changes, leaves and other changes relevant to an employee's position and/or department ⁽⁵⁾. Departments are notified to ensure that all PAFs have been entered to prepare for the Payroll Process each pay period.

The process begins as the Payroll Coordinator generates batches in the system. These batches consist of employees grouped in the system by an Authorization Area (Auth Area) that represents each department ⁽⁶⁾. Dedicated individuals within departments input and review time for the generated batches and time entry is then reviewed and approved by a dedicated department approver, generally the department manager ⁽⁶⁾.

Once departments' time is approved in the system, the Payroll Coordinator then processes the remainder of payroll to include any adjustments from the Human Resources Department, incentive pay requests from various departments and any other additions or corrections needed for the entire City ⁽⁶⁾.

At times corrections are required after payroll is processed and requires separate steps to process within the system ⁽⁷⁾. These corrections result from incorrect time entry regarding leave and needed additions to compensatory time for employees ⁽⁷⁾. After corrections are made an off-cycle paycheck is issued, if needed ⁽⁷⁾.

- (1) Human Resources Directive 4 – Employee Compensation and Salary Administration
- (2) Human Resources Directive 6 – Holidays and Leave
- (3) Budget Department
- (4) City's Payroll System
- (5) Human Resources PAF Process Flowchart
- (6) Payroll Process Walkthrough
- (7) Year-to-Date System Process

Management Accomplishments*

Finance

- Management has all but eliminated hard copy payroll checks. As of the end of FY 2016, approximately 99% of the 2,200 employees at the City of Garland receive their salary and wage payments through direct deposit. This accomplishment provides multiple benefits including:
 - eliminate printing and mailing of paper checks which has streamlined the payroll process.
 - reduces the fraud risk of stolen or altered checks
 - eliminates employees trips to banks
 - facilitate payments to employees during vacations, holidays, and other absence
- A work group that includes members of both Human Resources and Finance/Payroll meets periodically to revisit various payroll processes and policies, with the goal of increasing payroll efficiencies, ensuring compliance with state and federal laws, and reducing the risk of error.
- The Payroll Area of the Financial Services Department does not have a missed or delayed pay-date on record. The payroll area completes its rigorous process from receipt of time sheet submission to production of final payroll register within 2.5 days for approximately 2,200 employees.
- Approximately 2,700 wage tax statements are generated and dispersed each year in a timely and accurate manner. In keeping with the departmental goal of reduce printing and mailing cost, Management will be pursuing implementing electronic W-2, in lieu of paper, in the near future.

Human Resources

- The HR Records Coordinator and Senior Compensation Analysts are intricately tied to the payroll workflow process
 - by ensuring that PAFs (Personnel Action Forms) are processed correctly,
 - position numbers are properly assigned and
 - the correct compensation is being allocated, with all the correct signatures and authorizations
- Processing also requires that all approvals and documentation are reviewed and input within payroll processing deadlines to ensure that Directives and pay policies are properly followed
- During the audit, the Sr. Compensation Analyst was on a brief leave, requiring that another staff member, who was not as seasoned in the payroll processing, cover the duties. Therefore, a lack of familiarity with the process may have caused errors to occur.
- Currently, all HR personnel involved in processing PAFs are assuming their roles full time which should help in reducing errors.
- Impending changes to the payroll workflow process through the new HRIS conversion scheduled for 2017-2018 will also help with workflow as PAF processes will be automated and significantly reduce human error.

*Please note that "Management Accomplishments" are written by the audited entity and that Internal Audit did not audit or verify its accuracy.

Opportunities for Improvement

During our audit we identified certain areas for improvement. Our audit was not designed or intended to be a detailed study of every relevant system, procedure, and transaction. Accordingly, the Opportunities for Improvement section presented in this report may not be all-inclusive of areas where improvement might be needed.

FINDING #1 – ADDITIONAL INDIVIDUAL TO PROCESS PAYROLL	
CONDITION (THE WAY IT IS)	<p>Payroll processing is a critical City function. The Payroll Coordinator processes payroll for an average of 2,290 employees working for the City of Garland, 26 to 27 times a year. Additionally, payroll costs the City approximately \$175,422,906 during FY 2015 and the approved budget for FY 2016 is \$185,707,850. The Payroll Coordinator at times works extended hours and often does not always have the opportunity to take a vacation.</p> <p>During the review of the payroll process, IA noted that the Payroll Coordinator processed payroll for every pay period in our scope. While a backup exists, he/she does not process payroll for relief on a periodic basis. Because of this, the backup may lose or not have needed knowledge and experience to process payroll in the event the Payroll Coordinator cannot.</p>
CRITERIA (THE WAY IT SHOULD BE)	<p>According to the City Manager’s Strategic Objectives, departments should include a succession plan to ensure continued operations regarding critical city functions.</p> <p>Training a backup for all duties allows for continuity of operations should the Payroll Coordinator be unavailable.</p>
CAUSE (DIFFERENCE BETWEEN CONDITION & CRITERIA)	<p>The current backup individual’s job functions do not allow him/her to process payroll periodically.</p>
EFFECT (SO WHAT?)	<p>The City’s Payroll Coordinator exhibited a wealth of knowledge regarding the City’s Payroll system and payroll process. If the Payroll Coordinator is unable to perform the essential duties of this job or were to leave the City, necessary knowledge and experience would leave or potentially become unavailable.</p> <p>Without adequate backup coverage, timely payroll processing or services and fiduciary oversight could be compromised.</p>

RECOMMENDATION	Finance Management should ensure that payroll is processed by a separate individual on at least a quarterly basis.
MANAGEMENT RESPONSE	Concur
ACTION PLAN	The Grants Financial Coordinator (Payroll Supervisor) will serve as backup to the Payroll Technician and process the payroll for the City at least quarterly.
IMPLEMENTATION DATE	The target date for implementing the first “backup” payroll processing is the 3/31/2017 pay date.

FINDING #2 – ENABLE SYSTEM WORKFLOW PROCESS AND DETAILED REVIEW

CONDITION (THE WAY IT IS)	<p>A designated individual enters time within each department and is approved by a designated approver. Once approved, if further changes need to be made, the Payroll Coordinator then makes adjustments to employee pays as requested by individual departments and Human Resources. Many of the adjustments require manual calculations.</p> <p>A. During our review of the payroll process and related documentation for adjustments to employee pays, IA noted the following departmental and payroll processing errors:</p> <ul style="list-style-type: none">• Three employees were overpaid.• One employee was accidentally terminated and the system paid out his/her vacation balance. <p>B. Changes by Human Resources are not always completed in the system which results the system defaults creating errors.</p> <p>C. Additionally, the review process for manual adjustments performed during the payroll process is limited to reasonableness rather than including accuracy and completeness of requested adjustments (see Exhibit A – Sampling Methodology).</p>
CRITERIA (THE WAY IT SHOULD BE)	<p>A. The payroll process should be automated whenever possible.</p> <p>B. Changes in the payroll system should be complete and accurate.</p> <p>C. Manual adjustments should be reviewed for reasonableness, accuracy and completeness.</p>
CAUSE (DIFFERENCE BETWEEN CONDITION & CRITERIA)	<p>A. The instances were caused by the following:</p> <ul style="list-style-type: none">• A department incorrectly coded time to City Business and it should have been coded to Comp Time.• An incorrect number was entered for an employee’s comp time when the employee moved from 40 hours to 56 hours.

	<ul style="list-style-type: none"> • A manual calculation was made for an employee who received retro pay and was accidentally overpaid by two pay periods. • HR accidentally entered the wrong employee ID number when terminating another employee. <p>B. When PAFs were processed, changes to the appropriate tables within the Payroll System were not completed; therefore the system defaulted to the original Auth Areas and Distribution Codes.</p> <p>C. The volume of adjustments is so great that review for accuracy and completeness is not possible given current responsibilities of Finance personnel. There are system limitations that do not allow a report of all adjustments to be generated (see Exhibit C – Volume of Adjustments).</p>
<p>EFFECT (SO WHAT?)</p>	<p>A. The following resulted from the errors:</p> <ul style="list-style-type: none"> • Overpayments occurred totaling \$4,298.28 during the audit period. • When the employee was accidentally terminated, the system paid his/her remaining vacation balance totaling \$1,496.63 leaving the vacation balance at zero. <p>B. One incomplete PAF entry resulted in the system defaulting to an Auth Area where an employee could approve time for his/her spouse. Other errors resulted in the payments from an incorrect Distribution Code.</p> <p>C. A review for reasonableness does not allow the department to ensure that manual adjustments performed by the Payroll Coordinator are accurate and complete. Additionally, management could not ensure that unapproved changes do not occur.</p>
<p>RECOMMENDATION</p>	<p>A. & B. Human Resources Management should enable the workflow processes and automation of adjustments in the payroll system. This will reduce or eliminate the need for manual adjustments and minimize errors.</p> <p>C. Finance Management should include an additional person to review a sample of manual adjustments to</p>

	ensure accuracy and completeness of requests by departments and Human Resources.
MANAGEMENT RESPONSE	Concur
ACTION PLAN	<p>A.) Our new payroll system, once implemented, will automate payroll calculations for pay differentials, retro pay, and comp time calculations to avoid manual calculation errors. As well, monies lost to improper payout are recovered and termination was reversed.</p> <p>B.) To ensure that auth codes are changes in our payroll system, HR has now added auth code field on the PAF form to ensure notification is made to HR to make any changes. HR will also double check to ensure that position records agrees with and matches assignment.</p> <p>C.) The Grants Financial Coordinator (Payroll Supervisor) will select a sample of manual adjustments to recalculate for accuracy and completeness as part of the review of biweekly payroll documents.</p>
IMPLEMENTATION DATE	<p>A.) July 2018 - new payroll system</p> <p>B.) Completed - 2/6/17 – Auth Code Fields added to PAF form; HR audit records to ensure position and assignment match.</p> <p>C.) This action plan will be implemented immediately the next time biweekly payroll documents are reviewed.</p>

FINDING #3 – SYSTEM SETUP OF CIVIL SERVICE ACCRUAL RATES	
CONDITION (THE WAY IT IS)	<p>All employees receive a specified number of vacation hours per pay period as outlined in the Human Resources Directive 6 – Holidays and Leave (HR 6) in accordance with their number of years of service. The payroll system is setup to accrue hours to employees’ banks according to HR 6.</p> <p>IA's review of Civil Service employee accrual rates (see Exhibit A – Sampling Methodology) in comparison to the system setup showed that Civil Service employees rates increase a year earlier than what is stated in HR 6 (see Exhibit B – Civil Service Accrual Rates).</p>
CRITERIA (THE WAY IT SHOULD BE)	HR 6 accrual rates are listed in Exhibit B – Civil Service Accrual Rates.
CAUSE (DIFFERENCE BETWEEN CONDITION & CRITERIA)	The rule in the system was configured differently than what was outlined in the Directive.
EFFECT (SO WHAT?)	The vacation accrual rules for Civil Service personnel listed in the system do not align with the City's Directive. Civil Service employees currently working 9 years and greater have received an increased number of additional vacation hours as a result.
RECOMMENDATION	Human Resources Management should ensure that the vacation accrual rule for Civil Service Employees is updated in the system to align with HR 6 or update the directive to reflect the current accrual rate.
MANAGEMENT RESPONSE	Concur
ACTION PLAN	Directive was changed for Civil Service Employees to reflect the vacation accrual – currently awaiting final Directive approval by Senior Administration.
IMPLEMENTATION DATE	Change to Directive is already completed – pending Directive with revisions & approval by Cabinet and Sr. Team – 3/1/2017

FINDING #4 – USER ACCESS TO THE PAYROLL SYSTEM

<p align="center">CONDITION (THE WAY IT IS)</p>	<p>IA reviewed the User Entitlement Report (UER) generated from IT's SharePoint site and compared it to a report obtained from the Payroll System Database. The following was noted:</p> <ul style="list-style-type: none"> A. There were 10 individuals who had access to the system, yet were not listed on the User Entitlement Review report. B. One temporary employee tied to a managing director was hired to a full-time position and was still listed under the managing director's employee ID. C. One individual had time entry and approval authority in the system. D. Two employees had multiple active user IDs that were not needed. <p>Note: A, B and C above were immediately corrected upon notification. Due to IT priorities, D will be corrected at a later time.</p>
<p align="center">CRITERIA (THE WAY IT SHOULD BE)</p>	<ul style="list-style-type: none"> A. All users associated with an application should be included on the UER. B. Once hired to a permanent position, employees with access to applications should be listed under their own employee ID. C. No one individual should be able to enter and approve time in the system. D. User access should be based on least privilege and only one user ID should be active.
<p align="center">CAUSE (DIFFERENCE BETWEEN CONDITION & CRITERIA)</p>	<ul style="list-style-type: none"> A. IT noted a glitch preventing the system from pulling all of the user data and compiling it in the report. B. The employee's ID was not changed once hired to a permanent position.

	<p>C. The individual was changed to an approver in the payroll system and the entry capability was not disabled.</p> <p>D. Employee names were changed and the access under the old names was not disabled.</p>
EFFECT (SO WHAT?)	<p>A. UERs are reviewed by management annually. If the report does not include all individual's access, managers cannot ensure security of their systems.</p> <p>B. There is no accountability for errors and discrepancies.</p> <p>C. Inappropriate time entry and approval could occur and go unnoticed.</p> <p>D. Inappropriate activities could occur when user IDs are not disabled in a timely manner.</p>
RECOMMENDATION	<p>IT Management should ensure:</p> <p>A. The accuracy and completeness of UERs reviewed by management.</p> <p>B. Appropriate employees IDs are updated in the system when temporary employees are hired to permanent positions.</p> <p>C. No individual is provided access to enter and approve time in the system.</p> <p>D. 1. Unnecessary user IDs are disabled to prevent inappropriate activities.</p> <p>2. Deactivation of original user IDs when name change requests are processed.</p>
MANAGEMENT RESPONSE	<p>Concur</p>
ACTION PLAN	<p>Items A, B and C were taken care of during the audit. Item D will be corrected. Closer attention to the UER report is required for Items A and B. Item C was a training issue with an employee. Item D is attention to the termination report.</p>

IMPLEMENTATION DATE	1/31/2017
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FINDING #5 – ACCESS TO UPDATE RATES AND BANK ACCOUNTS	
CONDITION (THE WAY IT IS)	IA's review of the Payroll Coordinator's and the backup's individual access in the Payroll System showed that both individuals could edit employee hourly rates and bank account information.
CRITERIA (THE WAY IT SHOULD BE)	Access to update hourly rates and bank account information should be limited to Human Resources.
CAUSE (DIFFERENCE BETWEEN CONDITION & CRITERIA)	Access to hourly rates and bank account information was not considered when building the access needed for the Payroll Coordinator and the backup.
EFFECT (SO WHAT?)	Unauthorized changes in the payroll system could occur without management knowledge.
RECOMMENDATION	IT Management should limit the Payroll Coordinator's and backup's access rights to block unnecessary fields, such as the employee bank account and rate fields, to prevent any unauthorized changes.
MANAGEMENT RESPONSE	Concur
ACTION PLAN	On the current version of the HR/PR application, this cannot be addressed. This will be addressed during the upgrade to the HR/PR application and fully tested.
IMPLEMENTATION DATE	12/31/2017

FINDING #6 – POLICE SUPERVISOR ENTRY/APPROVAL OF TIME	
CONDITION (THE WAY IT IS)	<p>The Police Department uses a scheduling system that operates as a workflow system. A request for vacation, overtime, sick pay, etc. is entered into the system by the officer, then a notification is sent to the officer's supervisor for review. The supervisor logs into the system to approve or deny the request.</p> <p>During IA's review of the Police scheduling system, IA noted that Police Supervisors have the capabilities to enter and approve their own overtime. In a review of 446 screen prints from the Police scheduling system, IA noted that in 16 instances a Police Supervisor entered and approved overtime for him/herself and in 11 instances Police Supervisors entered and approved time for other officers.</p>
CRITERIA (THE WAY IT SHOULD BE)	Duties between entry and approvals of schedule changes should be segregated.
CAUSE (DIFFERENCE BETWEEN CONDITION & CRITERIA)	The configuration to limit Police Supervisors ability enter and approve their time was not considered.
EFFECT (SO WHAT?)	A lack of segregation of these functions can result in unauthorized overtime.
RECOMMENDATION	<p>The Police Management should ensure that segregation of duties is present when schedule changes are entered and approved in the system.</p> <p>Additionally, Police Management should consult with IT to determine if this functionality can be limited to prevent the same user from entering and approving time in the system.</p>
MANAGEMENT RESPONSE	Concur
ACTION PLAN	Management has taken the following steps to correct the issue: (1) written and oral reminders were sent to all police supervisors stating that they (Police Supervisors) were not to enter and/or approve time exemptions for themselves (2) New payroll scheduling program that starts the 2nd quarter of 2017 will prevent this issue from taking place by limiting the user from entering and/or

	approving their own time exemptions through programming protocols built into the system.
IMPLEMENTATION DATE	Immediately

FINDING #7 – EXCESSIVE YEAR-TO-DATE CHANGE REQUESTS/GRANT REIMBURSEMENTS

CONDITION (THE WAY IT IS)	<p>Requests to change or add compensation time are emailed to the Payroll Coordinator to correct errors or when adjustments to leave balances are needed. In some of these instances, officers request to add overtime which is sometimes reimbursed by grant agreements (see Finding #8). When these errors are noted, these changes require the Payroll Coordinator to initiate a Year-to-Date process to update leave balances in the system that takes approximately six minutes per employee request.</p> <p>A. IA obtained and compiled documentation on the change requests completed by the Payroll Coordinator during the audit period. Based on our review, IA noted that the Police Department initiated 50% or 138 change requests during the audit period (see Exhibit D – Year-to-Date Error Processing).</p> <p>B. Based on our review of overtime reports submitted to the Grants Coordinator for reimbursements, IA found 4 out of 196 instances where overtime performed on grants contracts or agreements was not included.</p>
CRITERIA (THE WAY IT SHOULD BE)	<p>A. Coding in the system should be accurate and complete when payroll is processed. Requests for adjustments should be minimal.</p> <p>B. Overtime performed to be reimbursed by Grant contracts or agreements should be properly reported.</p>
CAUSE (DIFFERENCE BETWEEN CONDITION & CRITERIA)	<p>A. According to the Police Department, leave banks in their internal time scheduling system lag behind the City's Payroll system. As a result, officers do not always know the correct amount of leave that is remaining in their leave banks.</p> <p>B. The Police Department also stated that officers cannot always enter their correct time in the system due to unforeseen circumstances.</p>
EFFECT (SO WHAT?)	<p>A. Increased volume of manual processing increases potential errors in the Payroll System.</p>

	<p>B. Because overtime in some of these instances is reimbursed by grant agreements (see Finding #8), the City may not recover overtime paid to officers due to the delay in reporting. IA identified approximately \$975 in overtime that may not have been reimbursed to the City.</p>
RECOMMENDATION	<p>Police Management should ensure:</p> <p>A. That officers view their most current leave balances in the City’s payroll system rather than the Police Department’s scheduling system.</p> <p>B. Time is entered into the Police scheduling system during payroll periods so that all overtime performed as part of grant contracts or agreements is reported to the Grant Coordinator in a timely manner.</p>
MANAGEMENT RESPONSE	<p>Concur</p>
ACTION PLAN	<p>Management has taken the following steps to correct the issue: (1) written and oral reminders were sent to all grant participants to be cognizant of proper time coding and documentation while working grant funded assignments (2) reminder sent to all employees to utilize and/or view their time leave balances in the city’s employee self service program (3) new procedure in place whereby all payroll change requests made to the payroll coordinator are subject to chain of command review and approval prior to submission to Payroll Coordinator.</p>
IMPLEMENTATION DATE	<p>Immediately</p>

FINDING #8 – FILE CONTRACTS WITH THE CITY SECRETARY

CONDITION (THE WAY IT IS)	<p>The Police Department entered into agreements with several entities such as Texas Department of Transportation, Federal Bureau of Investigation and Garland Independent School District to provide services for which the City is reimbursed.</p> <p>IA requested all contracts and agreements initiated between the Police Department and external entities relating to grant overtime reimbursements. The Department was unable to locate one contract. Further inquiries with the Police Department and the City Secretary's office indicated that contracts and agreements greater than \$3,000 were not filed with the City Secretary's Office.</p>
CRITERIA (THE WAY IT SHOULD BE)	<p>Administration Directive 5 states that the City Secretary's Office is the repository for the original active documents for all active professional service agreements/contracts and other agreements for \$3,000 and more. Individuals who are entitled to enter into the agreement on behalf of the City of Garland are responsible (1) for obtaining required signatures; (2) for ensuring the documents transferred to the City Secretary's Office are accompanied by the exhibits and/or attachments referenced in the document; and (3) for timely transferring the documents to the Office of the City Secretary.</p>
CAUSE (DIFFERENCE BETWEEN CONDITION & CRITERIA)	<p>The Department was unaware that executed contracts and agreements over \$3,000 should be filed with the City Secretary's office.</p>
EFFECT (SO WHAT?)	<p>If the completed contracts and agreements are not maintained and managed, it would be difficult to track if contracts and agreements are up for renewal or even expired. Additionally, if a dispute arises, it may be difficult to prove that an executed contract or agreement existed.</p>
RECOMMENDATION	<p>Police Management should ensure that all executed contracts and agreements over \$3,000 are filed with the City Secretary's office in accordance with Administrative Directive 5.</p>
MANAGEMENT RESPONSE	<p>Concur</p>

ACTION PLAN	Continued reminder of current procedure(s) to PD employees to ensure compliance with AD #5.
IMPLEMENTATION DATE	Immediately

Exhibit A – Sampling Methodology

Civil Service Accrual Rates

IA developed a random sample of 56 individuals to review accrual rates in the system. The random sample was generated using spreadsheet software and it was chosen to give each occurrence an equal chance of selection. Based on our review of these 56, IA identified 20 Civil Service employees whose earned vacation accrual rates did not match the Human Resources Directive 6 – Holidays and Leave from a previous test. IA included an additional judgmental sample of 15 to further review accrual rates. IA's judgmental sample was based on the type of employee, Fire or Police, and the length of service, nine years and greater. The results can be projected to the entire population of Civil Service employees.

Payroll Periods Reviewed for Manual Adjustments

IA selected payroll periods to review manual adjustments made by the Payroll Coordinator to ensure appropriateness. IA used an interval sample and supplemental with a judgmental sample to select the payroll periods. The interval sample was used to allow each payroll period an equal chance of selection. The judgmental sample was used to select payroll periods with a high number of adjustments. The results can be projected to the population.

Exhibit B – Civil Service Vacation Leave Accrual Rates

Current Payroll System Setup

Civil Service 40-Hour				Civil Service 56-Hour			
Service Up To	Basis	Service (In Years)	Entitlement Time	Service Up To	Basis	Service (In Years)	Entitlement Time
99999	MO	13 and greater	6.1539	99999	MO	13 and greater	9.231
155	MO	12.92	5.8462	155	MO	12.92	8.769
143	MO	11.92	5.5385	143	MO	11.92	8.308
131	MO	10.92	5.2308	131	MO	10.92	7.846
119	MO	9.92	4.9231	119	MO	9.92	7.385
107	MO	8.92	4.6154	107	MO	8.92	6.923

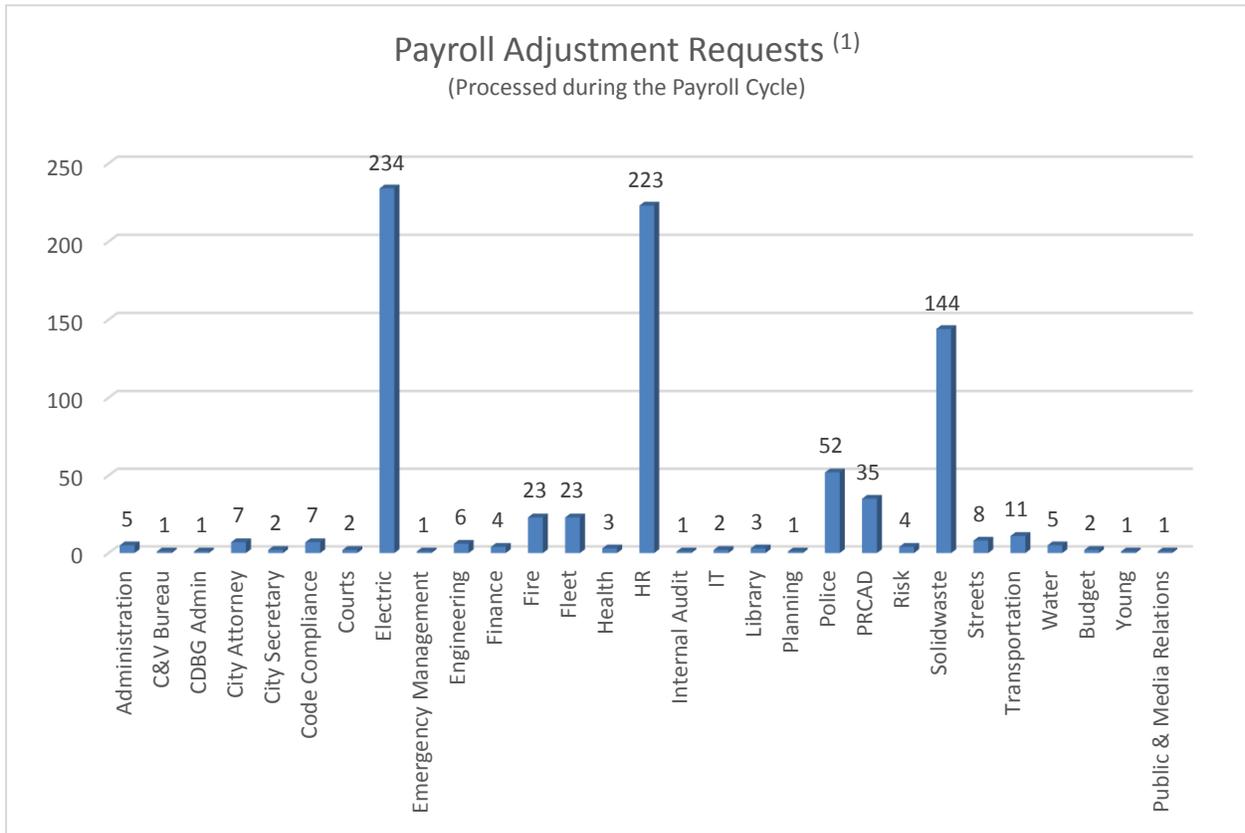
Source: City's Payroll System

According to HR 6

Civil Service 40-Hour				Civil Service 56-Hour			
Service Up To	Basis	Service (In Years)	Entitlement Time	Service Up To	Basis	Service (In Years)	Entitlement Time
99999	MO	14 and greater	6.1539	99999	MO	14 and greater	9.231
167	MO	13.92	5.8462	167	MO	13.92	8.769
155	MO	12.92	5.5385	155	MO	12.92	8.308
143	MO	11.92	5.2308	143	MO	11.92	7.846
131	MO	10.92	4.9231	131	MO	10.92	7.385
119	MO	9.92	4.6154	119	MO	9.92	6.923

Source: HR 6

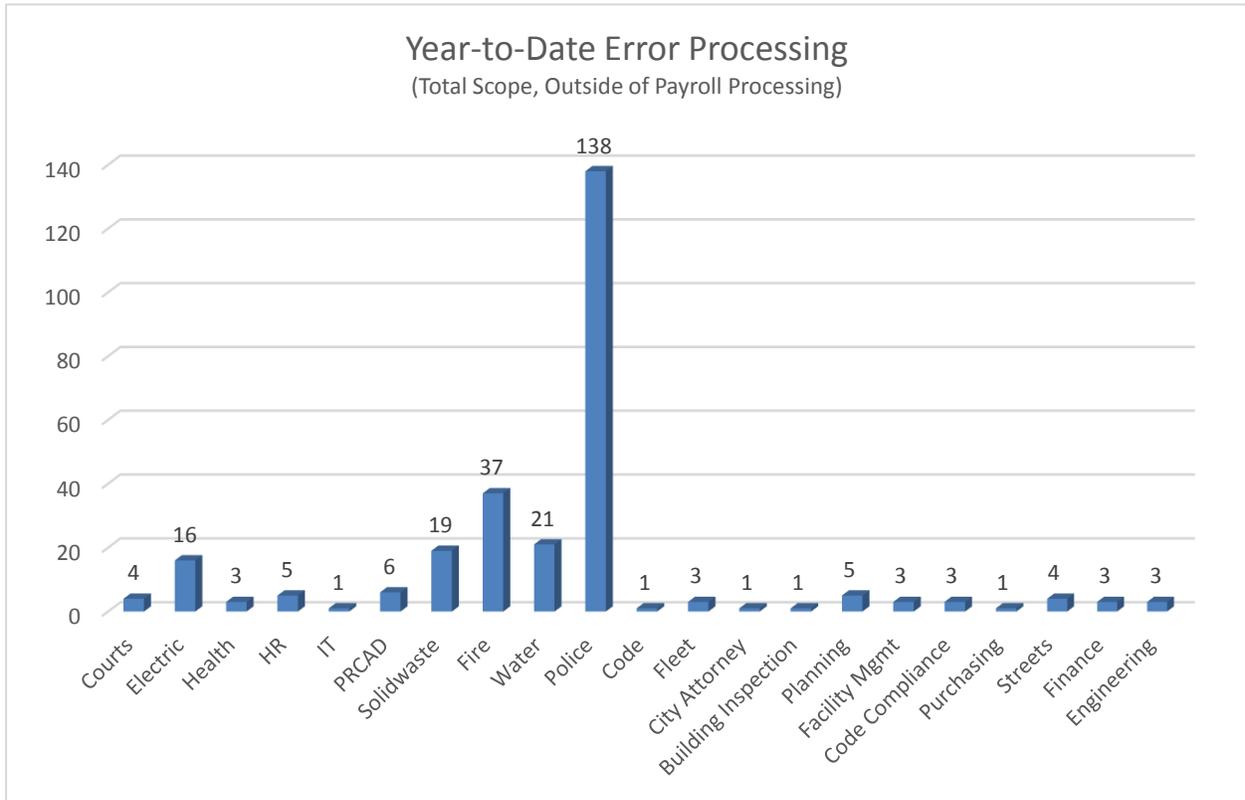
Exhibit C – Volume of Manual Adjustments



Source: Finance Department

(1) Based on a review of adjustment requests for six payroll periods.

Exhibit D – Year-to-Date Correction Processing



Source: Finance Department