

PAYROLL AUDIT REPORT  
OF THE  
ENVIRONMENTAL HEALTH DEPARTMENT  
ANIMAL SERVICES DIVISION

REPORT NO. 02-127



CITY OF ALBUQUERQUE  
OFFICE OF INTERNAL AUDIT



***City of Albuquerque***  
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**Office of Internal Audit**

**Martin Chavez, Mayor**

December 19, 2002

Internal Audit Committee  
City of Albuquerque  
Albuquerque, New Mexico

Audit: Environmental Health Department  
Payroll Audit – Animal Services Division  
02-127

**FINAL**

INTRODUCTION

The Office of Internal Audit performed a payroll audit of the Animal Services Division (ASD) of the Environmental Health Department (EHD). A review of internal controls was made to determine if they were adequate. Good controls are necessary to assure management that payroll regulations and procedures are being properly administered. This audit was requested by the previous EHD Director.

According to the approved budget for fiscal year 2002 (FY2002), the purpose of the Animal Services Division is “To provide animal services to enhance the health and welfare of both the citizens of Albuquerque and all owned, lost or stray animals within the community.” Functions performed by ASD include the impounding of stray animals, the placement of animals for adoption and the euthanization of unadoptable animals. For FY2002, total personnel expenditures for ASD were \$2,861,982. For FY2003, ASD personnel expenditures are budgeted for \$3,240,338 for 85 full-time positions, 80% of its total budget.

The audit was conducted in accordance with Government Auditing Standards, except Standard 3.33, which requires an external quality review.

SCOPE

This audit and its conclusions are based on information taken from a sample of transactions and do not purport to represent an examination of all related transactions and activities. Our audit testwork was limited to the following areas:

- Review timecards, timesheets, exception reports, P-30s and approvals.
- Review leave taken to determine if documentation was in order.
- Test approvals for upgrades, overtime worked and other changes in compensation.
- Check compliance with applicable laws, policies and regulations.

## FINDINGS

The purpose of an internal audit is to identify changes in the auditee's activities that would improve its effectiveness, efficiency, and compliance with administrative policies and applicable rules and regulations. Therefore, the auditee's activities that appear to be functioning well are not usually commented on in audit reports. The following findings concern areas that we believe would be improved by the implementation of the related recommendations.

1. THE HUMAN RESOURCES DEPARTMENT SHOULD DETERMINE IF POSITIONS SHOULD BE CLASSIFIED AS EXEMPT OR NON-EXEMPT USING THE CRITERIA ESTABLISHED BY FLSA.

The Fair Labor Standards Act (FLSA) provides an element of flexibility for state and local government employers and choice for their employees regarding compensation for statutory overtime hours. The law authorizes a public agency to provide compensatory time (comp time) off in lieu of monetary overtime compensation, at a rate of not less than one and one-half hours of comp time for each hour of overtime worked.

The City assigns all employees into two basic categories, FLSA non-exempt and exempt. Non-exempt employees must be compensated in accordance with FLSA. They are hourly employees who must complete a timesheet or timecard. Non-exempt employees are eligible for overtime compensation. Exempt employees are management level employees who are paid an annual salary regardless of actual hours worked. They report the hours that they are **not** at work on an exception report. These employees are not paid hourly, and therefore are not eligible to receive overtime compensation.

Exempt or non-exempt status is determined for a position, not a specific individual who fills a position. Each position in the City has attributes established on a position master file on the automated payroll/human resource system. Several years ago, the City Human Resources Department (HRD) contracted for a classification/compensation study to reduce the number of position classifications. As a result of the study, the City condensed the number of positions from 1,200 to approximately 700. In some cases, several positions were combined into one without regard to FLSA exempt or non-exempt status. The consultants who assigned the new position codes to the existing positions did not study each position to see if it would be properly classified as exempt or non-exempt.

It is unclear how positions were classified on the position master file as exempt or non-exempt.

In addition, the FLSA exempt status of individuals that fill a position does not always match the exempt status of the position as stated on the position master file. Some are listed as exempt from the FLSA on the position master file, but the employees in the positions are classified as non-exempt in other payroll files, or vice versa. This may create uncertainty for employees in those positions and for department supervisors. It may also create a liability for the City for overtime pay that may be due to employees that are classified incorrectly.

The automated payroll/human resources system does not automatically transfer all information from the position master file to the payroll files in the system. As a result, it is possible to have inconsistent exempt/non-exempt classifications for a given position in different files. The only way to easily identify the conflicting data is with an "Emp paygroup pos FLSA Stat M" report. The report shows several positions whose FLSA status is non-exempt, but the employee filling the position is coded as belonging to an exempt paygroup. The paygroup indicates the FLSA status that governs whether the employee is subject to FLSA requirements and if the employee is eligible to earn overtime.

For example, two Deputy Chiefs with the Albuquerque Fire Department are in paygroup FDP2. This paygroup is classified as exempt, however, the position master file shows this position as non-exempt. A Police Psychologist (M17), two Solid Waste Superintendents (M18), a Scientific Evidence Division Manager (M18), and a Planning Manager (M18) are all assigned to paygroups that are FLSA exempt, however, the position master file shows all these positions as FLSA non-exempt. It is apparent that these high level employees should have positions and paygroups that are classified as FLSA exempt and should not be eligible for overtime compensation.

The "Emp paygroup pos FLSA Stat M" is run weekly and is e-mailed to five HRD employees. The most recent report identifies 324 employees whose paygroups and position FLSA status show inconsistencies, but it does not identify which FLSA classification is correct. That determination must be made by studying each position.

#### RECOMMENDATION

HRD should ensure that inconsistencies in City employees' FLSA exempt status are resolved.

HRD should promptly determine if each of the positions Citywide should be classified as exempt or non-exempt using the criteria established by FLSA.

EXECUTIVE RESPONSE FROM HRD

*“HR is in agreement with IA recommendations that positions should be classified as exempt or non-exempt using the criteria established by FLSA. HR had requested the ‘Emp pay group pos FLSA Stat M’ exception report to reveal inconsistencies to be investigated and corrected as an interim measure until such time a self-audit could be implemented. HR will continue to request and review this report as an additional check.*

*“HR contracted the services of an independent consultant in June 2002, to conduct an audit/study of M-13 through M-18 positions. The consultant worked directly with an Investigator with the United States Department of Labor, who concurred ‘with the determinations made as reflected in the ...report.’ The submittal date of the report is November 25, 2002.*

*“HR is scheduled to meet with Payroll on Thursday, December 19, 2002 to discuss a notification process and implementation of the required changes to be made in ROSS /payroll for those positions that will change FLSA status as a result of the self-audit. Anticipated time to make the required changes in the system and send out notifications is late January/early February 2003.*

*“The consultant and the Department of Labor have agreed to provide training to HR personnel in January 2003, to ensure understanding of the process for determining exempt/non-exempt status. HR will then implement a procedure to review positions for FLSA status as they are created or reclassified.*

*“The integration of the B3 –PONE eliminated multiple points of data entry. Since a position is created in the PS01, Position Master screen, and the PS01 is required to initiate a B3; integration of the B3-PONE should provide consistent information throughout the system. HR is currently working with DFA to arrange for testing with the upgraded ROSS system anticipated to go live in February 2003.*

*“A self-audit/study of M-11 and M-12 positions will be initiated when resources are available. HR does not have an anticipated time to begin this process; but will seek the earliest opportunity as resources become available.”*

2. EHD SHOULD ENSURE THAT PROVISIONS IN CITY POLICIES AND FLSA ARE FOLLOWED.

An employee previously classified as Clerical and non-exempt from FLSA was promoted on July 15, 2000 to a management position and an FLSA exempt paygroup. As a result, the employee was no longer eligible for overtime or comp time. The automated payroll system will not allow accrual or use of overtime or comp time for management level employees who are FLSA exempt. However, this employee has continued to use comp time "off the books" by maintaining a manual record of comp time hours used.

The accrual and use of comp time by an exempt employee violates City policies and EHD Department Directives. According to EHD's Department Directive – No.1-6, "Management/Exempt employees are not eligible for overtime." The City of Albuquerque Personnel Rules and Regulations (Personnel Rules and Regs), state, "Employees who are exempt under FLSA are required to perform certain functions regardless of the number of hours required to complete assigned tasks."

Our review of this employee's manual record of leave balance form (P-29) showed fifty-five hours of comp time off between the pay periods ending December 30, 2000 through July 27, 2001. The employee also maintained a log of comp time earned and used. The log shows an unused comp time balance of 477.51 as of November 20, 2001. The employee continued to use comp time regardless of how the position was classified. The employee was maintaining a manual record of comp time hours in order to circumvent the automated payroll system and the related controls.

A previous EHD Director requested that HRD review the FLSA status of positions within the department. HRD personnel said that the Employee Relations Department was responsible for evaluating the FLSA exempt status of positions. Previous EHD-ASD management allowed FLSA exempt employees to accrue and use comp time. Current EHD management has met with this employee to inform her that it is against City policy and FLSA requirements for an exempt employee to take comp time, and to tell her to stop doing so. Another ASD employee who is assigned to the same position code has stated that she was also maintaining a comp time log off the books until EHD management instructed the employees to stop the practice.

In addition, the employee's P-29 showed that the employee had accrued five hours of floating holiday time, but used twenty-one hours of floating holiday time between pay periods ending December 30, 2000 through July 27, 2001. The automated payroll system did not show any floating holiday time accrued or used during this period.

The employee did not receive approval for accruing the floating holiday time or using the time. Personnel Rules and Regs state, "With the written approval of their department director, employees may take any holiday as a floating holiday within one (1) calendar year after the holiday."

### RECOMMENDATION

EHD should request that HRD determine if this employee's position is properly classified as FLSA exempt.

EHD should determine if any other employees are maintaining a manual record of comp time. EHD should make it clear which employees are eligible and which are not eligible to accrue and use comp time. EHD should implement procedures to ensure that all allowable comp time is recorded on the automated payroll system.

EHD should implement procedures to ensure that all allowable floating holiday time is properly authorized and recorded on the automated payroll system.

### EXECUTIVE RESPONSE FROM EHD

***“EHD will also look at the exempt/non-exempt exception report which is produced weekly. We, in conjunction with HRD, will attempt to resolve these discrepancies. As part of the training which we are planning to do (see Response #3), we will emphasize that off-the-book comp time is not an allowable practice. In addition, only comp time earned and recorded on the timesheets/time cards will be entered into the payroll system. We will also reemphasize that employees must use the ‘floating holiday form’ in order to earn, and ultimately use, floating holiday time.”***

### 3. EHD SHOULD DEVELOP PROCEDURES TO ENSURE THAT TIMES ENTERED ON THE AUTOMATED PAYROLL SYSTEM AND TIMECARDS AGREE.

A sample of nine out of eighty-five ASD total employees was selected to test for compliance with payroll requirements. Four of these employees record time on timecards then the timekeeper transfers the time to a summary sheet. The other five employees selected are exempt from the FLSA and are not required to complete timecards. They complete an exception report at the end of each pay period. The timekeeper uses the exception reports and summaries to enter the employees' hours in the automated payroll system.

No discrepancies were noted between time worked as recorded on the exception reports and the automated payroll system. However, numerous discrepancies were found between the time recorded on timecards and the corresponding entries made to the automated payroll system. Hours worked as reported on thirty-six out of the fifty-two timecards reviewed (69%) did not agree to the hours entered on the automated payroll system.

- There were twenty-two occurrences where amounts on the automated payroll system and the timecards were different. Six were differences in overtime hours, five for

comp time and one each in sick leave hours and temporary upgrades. Nine of the twenty-two occurrences were variances in amounts recorded for regular payroll hours.

- On four occasions, overtime recorded on the timecard was not recorded on the automated payroll system.
- There were eleven occurrences where amounts entered on the automated payroll system for overtime-for-time, comp time at straight time, vacation time, regular hours and overtime worked were not supported by amounts recorded on the timecard.
- On one occasion, vacation time shown on the timecard was not recorded in the automated payroll system.
- There were two occurrences where errors were made regarding pay for holiday time. One timecard showed that only 7.48 hours had actually been worked for the holiday but the employee received credit for full 8 hours holiday overtime pay. The other occurrence was where an employee had worked the holiday but did not receive the overtime pay for the holiday worked.
- One employee worked a holiday and did not get credit for the time until the pay period following the holiday.

Unless timecards support amounts entered on the automated payroll system, EHD is at risk of being in violation of the requirements in the FLSA and in non-compliance with City policies. Errors may occur when recording the time from the timecards to the summary sheets. Time should be entered directly from the timecard; the original document that supports the time worked.

EHD does not have written policies that require a review process to ensure entries are accurate and correct on the automated payroll system. The responsibility for ensuring that the time reported by employees is accurate and prepared correctly lies with the employees' supervisors. The supervisors should review timesheets, timecards and exception reports and sign these forms to indicate their agreement and approval. The supervisor should review the Timecard Detail Report (TCD) and the Payroll Proof Report to determine that all time worked and leave taken reflects the timecard, timesheet or exception report and P-30s approved. A department payroll procedures manual may help to inform timekeepers and supervisors what the basic requirements are for compliance with FLSA and Personnel Rules and Regs.

#### RECOMMENDATION

EHD should ensure that timekeepers record time into the automated payroll system directly from the timecards.



EHD should ensure that employees' supervisors properly review and approve all timecards, timesheets and exception reports prior to giving them to the timekeepers.

EHD management should develop written procedures that address specifics of the department's payroll policies. EHD management should ensure that all timekeepers are trained regarding payroll and personnel requirements.

#### EXECUTIVE RESPONSE FROM EHD

***“EHD agrees with the recommendation. The department is taking the following steps: Timekeepers now enter time directly from the timecards into the payroll system, the department plans to provide time card training to all employees who utilize timecards, and their supervisors. The department is in the process in developing a payroll manual, which will include department procedures and policies. Once this is completed all supervisors and employees will be trained to ensure compliance with payroll and department rules and regulation. We expect to complete this by February 28, 2003. In addition, the department will conduct refresher training on a periodic basis.”***

4. EHD SHOULD ENSURE THAT TEMPORARY UPGRADES ARE MADE IN ACCORDANCE WITH CITY POLICIES.

The Pay Detail Report for the division showed seventeen employees were temporarily upgraded between December 30, 2000 and December 28, 2001. We reviewed the temporary pay upgrade forms for the last quarter of 2001. During this quarter ASD paid 637 hours in upgrades. Properly approved temporary upgrade forms were completed for 136 of those hours. There were inconsistencies in how the forms were completed, including incorrect pay period dates for the temporary upgrades, no record of the upgraded pay rate or percentage of the increase, and some forms did not have the approval signature of the department director.

Personnel Rules and Regs, Section 700.4, states, “The maximum number of hours worked in an upgraded status is limited to 160 hours per position, per fiscal year. The number of hours may be extended with the approval of the Employee Relations Office.” Four of the employees worked in a temporary upgrade status for more than the 160-hour limit.

- An animal handler was upgraded for 444 hours and an additional 20 hours of holiday upgrade
- A kennel supervisor for 365 hours

- An accounting assistant for 264 hours and an additional 32.5 hours for holiday upgrade
- An animal health tech for 214 hours.

One employee was paid for ninety-six hours in temporary upgrade status and 24 hours in holiday work upgrade for covering during the absence of the supervisor. This supervisor was on paid leave for only twenty-four hours during the time the other employee was upgraded. According to the Personnel Rules and Regs, "Conditions for payroll upgrading include the absence of an employee from regular duty or for work performed outside of the employee's classification due to a business necessity and at the direction of the department director..." Seventy-two hours of this employee's upgrades did not meet this requirement. As a result, costs were incurred to pay for upgrades that may not have been necessary. Six Report of Temporary Upgrading forms were completed for this employee for 104 upgrade hours, however, some of the forms were incomplete and only one had the required division/department head approval. One form did not indicate the date of the upgrade or in what pay period the upgrade occurred. The forms completed did always agree to the time paid for upgrades.

#### RECOMMENDATION

EHD should ensure that temporary upgrades are properly justified, documented and approved. Upgrades should be approved in advance.

EHD should develop procedures that ensure upgrades do not exceed 160 hours per year, per position, unless proper approval for an extension is obtained.

#### EXECUTIVE RESPONSE FROM EHD

***"EHD agrees with the recommendation. All upgrades will comply with the Personnel Rules and Regulations, Section 700.4. Procedures are currently in place which require all upgrades be approved by the department director. Effective immediately, these will also be reviewed by the fiscal manager before they are processed."***

#### 5. HOURS OF LEAVE TAKEN BY EMPLOYEES NEEDS TO BE ACCURATELY ENTERED ON THE AUTOMATED PAYROLL SYSTEM.

According to the Personnel Rules and Regs, requests and approvals for leave are documented using the Request for Leave of Absence (P-30). These forms need to be completed properly including authorization for the leave and accurately recorded on the automated payroll system.

P-30's on file were reviewed for the nine employees selected for review. The following discrepancies were noted between the leave times on the completed P-30s and the leave time entered on the automated payroll system.

- There were eleven instances where comp time usage entered on P-30s was not recorded on the automated payroll system. This means that fifty-six hours were not charged to employees' comp time accruals. One employee alone had twenty hours of comp time not entered. This same employee had completed P-30s for eight hours of funeral leave and seventy-two hours of work-off-site that also was not entered on the automated payroll system.
- One P-30 completed for birthday leave was not entered on the automated payroll system.
- For a P-30 requesting forty hours of vacation, only sixteen hours of vacation was entered on the automated payroll system.
- A P-30 for three hours of comp time off was recorded on the automated payroll system as two point six hours.
- Another P-30 for ten point five hours was recorded on the automated payroll system as ten point ninety-six hours.

Supervisors are not following up on P-30s turned in by employees to make sure the time is entered on the automated payroll system. Also, changes in leave taken are not being documented so that the actual amount of leave recorded on the automated payroll system and the time recorded on P-30s is the same.

EHD does not have written policies that require a review process to ensure entries are accurate and correct on the automated payroll system. The responsibility for ensuring that the time reported by employees is accurate and prepared correctly should be with the employees' supervisors. The supervisors should review timecards, timesheets and exception reports and sign these forms to indicate their agreement and approval. The supervisors should review the TCD and the Payroll Proof Report to determine that all time worked and leave taken reflects the timecard, timesheet or exception report and P-30s approved. Unless leave is accurately recorded and entered on the automated payroll system, employees may be taking unauthorized leave. Leave taken by employees may not be recorded and leave balances may not be accurate.

#### RECOMMENDATION

EHD should adopt a review process that ensures that all leave taken is correctly entered on the automated payroll system. Also, all changes in leave taken should be clearly documented.

EXECUTIVE RESPONSE FROM EHD

***“EHD agrees with the recommendation. See Response #3. The department will start using a payroll ‘exception’ list which will be used by the timekeepers during the payroll verification process. It will document payroll exceptions, i.e., missing documentation, discrepancies between the timesheets and supporting documentation. Supervisors and/or employees will be required to clear these up before final payroll is run.”***

6. ALL LEAVE TAKEN MUST BE SUBMITTED FOR APPROVAL.

According to the Personnel Rules and Regs, section 401., LEAVE WITH PAY, “Requests for leave will be submitted for approval on the Request for Leave of Absence form.”

Leave taken by the employees reviewed in our sample did not always have the required form, P-30, on file to support approval for their absence from work. Hours of leave recorded on the automated payroll system for pay periods ending January 19, 2001 through July 27, 2001 were reviewed to determine if a P-30 was on file approving the leave taken by the nine employees reviewed. The following leave did not have P-30s on file.

- Five hundred and eighty-seven hours of vacation
- Two hundred and four hours of sick leave
- One hundred and thirty hours of comp time
- Thirty-one hours of other paid absence
- Eight hours of birthday leave
- Forty-eight hours of work-off-site

The responsibility for ensuring that the time reported by employees is accurate and prepared correctly lies with the employees’ supervisors. The supervisors should review timecards, timesheets and exception reports and sign these forms to indicate their agreement and approval. The supervisor should review the TCD and the Payroll Proof Report to determine that all time worked and leave taken reflects the timecard, timesheet or exception report and P-30s approved. Supervisors should verify that leave taken is supported by a P-30. Employees may be taking unauthorized leave if leave entered into the automated payroll system is not supported by a P-30.

RECOMMENDATION

EHD should ensure that supervisors verify that all leave taken is supported by P-30s.

EXECUTIVE RESPONSE FROM EHD

***“EHD agrees with the recommendation. As stated above, procedures will be implemented during the biweekly payroll processing to ensure that payroll documentation is accurate and complete.”***

7. OVERTIME SHOULD ONLY BE WORKED WITH PRIOR APPROVAL.

According to the Personnel Rules and Regs, Section 302.2, Overtime Work, “A non-exempt employee shall not work more than the regularly scheduled forty (40) hour workweek without prior approval of the department director or immediate supervisor as designated by the director. Working overtime without prior approval is considered just cause for disciplinary action up to and including termination.” EHD uses a departmental form called Non-Scheduled Time to document the hours and dates overtime is to be worked and justification for the overtime. EHD requires the employee to submit the form for approval to his or her supervisor who in turn submits the form to the manager of the division for his approval.

Our review of overtime worked for seven employees in our sample disclosed that overtime is routinely being worked without the required approval. Non-Scheduled Time forms were completed, but there were no signatures approving the overtime. Between December 30, 2000 and December 28, 2001 the following occurrences were noted for overtime paid.

- One employee worked one hundred and fifty-four hours of unauthorized overtime.
- There were variances between the actual overtime approved and the hours worked which resulted in eleven hours of unauthorized overtime worked.
- On one occasion, the amount of comp time for straight time accrued was eight hours more than the actual amount worked.
- For one employee, two different forms for overtime were completed for the same date at the same time of day. The employee was paid for all five hours requested even though the overtime was for overlapping times.

EHD is not in compliance with City policies regarding overtime. As a result, costs associated with overtime are not being controlled and employees are working overtime which has not been authorized.

Policies should be established at the department level regarding overtime. The policies should be communicated to employees and there should be consequences for working unauthorized overtime.

#### RECOMMENDATION

EHD management should adopt controls for the approval and review of overtime worked and develop procedures that ensure employees who work unauthorized overtime are subject to discipline.

#### EXECUTIVE RESPONSE FROM EHD

***“EHD agrees with the recommendation. The department does require documented pre-approval for any overtime worked. We will ensure that procedures are followed, and that the approved form be included with the timesheet before it is entered into the system. If the backup documentation is missing, it will appear on the payroll ‘exception’ report, and require resolution before final payroll processing.”***

#### 8. RECORDS KEPT REGARDING PAY OF EMPLOYEES SUBJECT TO FLSA SHOULD BE ACCURATE.

The Personnel Rules and Regs require that “All City records, including reports, vouchers, requisitions, payroll and personnel records must be prepared factually and accurately. It is the personal obligation of the employee completing such records as well as the supervisor to ensure that such records are accurate and comply with federal, state, and City record-keeping and accounting requirements.”

EHD is not entering information on the automated payroll system that is accurate. Times entered on the automated payroll system for pay periods ending January 12, 2001 through July 27, 2001 were reviewed. The following observations were made.

- Five occurrences were noted where even though the employee worked the holiday, the payroll code HO was used to record the time. According to the timekeepers’ manual, HO is the code used to show that the employee took the holiday off.
- One employee worked a holiday at an upgrade. On the automated payroll system the code OTHU is used to show that an employee worked a holiday at an upgrade. For this employee, OTHU was credited twice for the same hours.

- Another employee's pay on the automated payroll system included an entry to FO that is used to show that an employee has "floated" the holiday. Whenever a holiday is "floated", the employee chooses to work the holiday and take the time-off at a later date. This entry was made during a pay period that did not include a holiday.
- One employee elected to float a holiday. The entry on the automated payroll system to record this was CTO, the code used to record the accrual of comp time. CTO was used instead of the code FO, accrual of time for a holiday floated.

EHD does not review the entries to the automated payroll system to ensure that the information is accurate and correct. As a result, errors are being made which result in non-compliance with FLSA, errors in pay amounts and the related wage expense for EHD.

#### RECOMMENDATION

EHD should implement a review process to ensure that entries made to the automated payroll system are accurate and correct.

#### EXECUTIVE RESPONSE FROM EHD

***"EHD agrees with the recommendation. We will work with the timekeepers, and provide additional training, to ensure that payroll is entered correctly. The payroll verification process should identify any of these errors."***

#### 9. CORRECTING ENTRIES MADE TO THE AUTOMATED PAYROLL SYSTEM SHOULD OCCUR IN A TIMELY MANNER.

A review of the payroll register for the nine employees selected for review showed that correcting entries are not being made in a timely manner.

- One employee used 8 hours of vacation November 22, 2000 that was not recorded on the automated payroll system for that pay period. Approximately two months later on January 23, 2001 the omission was corrected.
- Corrections made to one employee's time on the automated payroll system resulted in the employee being overcharged two hours in vacation time. Contributing to this was the fact that correcting entries were made on three different occasions to the employee's time on the automated payroll system.

Some corrections are not made by adjustments to the pay period in which the error or omission occurred. Corrections were made in a subsequent pay period as current pay

items. As a result, there is no audit trail detailing whether items were corrected. Entries to the pay period in which the corrections are made are not supported by timecards or P-30s.

For the corrections made to employees' records on the automated payroll system, EHD uses the "Correct History Form". The form is to be dated and signed by both the timekeeper and the employee's supervisor approving the correction. The employees' supervisors did not approve any of the forms reviewed. EHD should be using a Pay Adjustment Request for adjustments in the automated payroll system. This form requires signatures from the employee, the timekeeper and a supervisor.

EHD should review correcting entries made to the automated payroll system to ensure that entries being made have been approved. Incorrect entries result in records on the automated payroll system that may not be correct or that do not accurately reflect accrual balances in the leave categories or the hours worked.

#### RECOMMENDATION

EHD should review corrections to the automated payroll system to determine if they are valid.

EHD should ensure that the employee, the timekeeper and a supervisor approve correcting entries to the automated payroll system.

EHD should ensure that timekeepers are using valid correction forms.

#### EXECUTIVE RESPONSE FROM EHD

***"EHD agrees with the recommendation. We will ensure that timekeepers make timely adjusting entries, and that they are processed in accordance with the City's Timekeeping Manual."***

#### 10. LEAVE BALANCES SHOULD BE ACCURATE AND CURRENT.

P-29 forms are documents used by departments to manually track leave earned and taken by employees. This is used to verify the information entered into the automated payroll system. Because this is a control document, information on employees' P-29s should be accurate and up-to-date to reflect time taken off and accrued by employees.

P-29s for the sample of nine employees were reviewed to determine if the information was accurate and supported the information on the automated payroll system. P-29s reviewed for the sample of nine employees showed the following discrepancies:



- There were eight occurrences where balances for time accrued on employees' P-29s did not agree to the Leave Balance report produced from the automated payroll system.
- One employee's P-29 showed vacation was taken on April 25, 2001. The hours were not recorded on the automated payroll system until the pay period ending June 1, 2001.

Although manual P-29s have been replaced by an electronic form, EHD continues to use P-29s to track leave balances. P-29s were not reviewed by a second party to verify the accuracy of the balances. As a result, errors and discrepancies may occur between leave balances as recorded on the automated payroll system and the P-29s. It was not clear whether the balances on the P-29s or the automated payroll system were correct.

#### RECOMMENDATION

EHD management should develop procedures that will ensure that information is correctly entered to the automated payroll system and in a timely manner so that leave balances are accurate and current.

#### EXECUTIVE RESPONSE FROM EHD

***"EHD agrees with the recommendation. The department no longer uses a manual P-29, but depends on the system-generated P-29."***

#### CONCLUSION

By implementing these recommendations, the Environmental Health Department, Animal Services Division will better fulfill its responsibility to administer the City's payroll policies and procedures in an effective manner.

We appreciate the assistance and cooperation of the personnel of the Environmental Health Department during this audit.

#### **REVIEWED and APPROVED:**

\_\_\_\_\_  
Senior Auditor

\_\_\_\_\_  
Audit Manager

#### **APPROVED:**

#### **APPROVED FOR PUBLICATION:**

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Debra Yoshimura, CPA, CIA, CGAP  
Internal Audit Officer

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Chairman, Audit Committee