

FINAL

PAYROLL AUDIT REPORT

OF THE

TRANSIT DEPARTMENT

REPORT NO. 03-126



**CITY OF ALBUQUERQUE
OFFICE OF INTERNAL AUDIT**



City of Albuquerque
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Internal Audit Committee
City of Albuquerque
Albuquerque, New Mexico

Audit: Payroll Audit
Transit Department
03-126

FINAL

INTRODUCTION

The Office of Internal Audit performed a payroll audit of the Transit Department (Transit) for the pay period ended September 6, 2002. 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.

Transit has a payroll supervisor and two timekeepers who are responsible for Transit Division and Parking Division payroll entry. Transit's total operating expenditures for fiscal year (FY) 2003 were \$24,322,000. Approximately 71% of this amount, \$17,250,000, was for salary and benefit costs. Transit had 512 approved full time positions for FY03.

SCOPE

This audit and its conclusions are based on an examination of various transactions and reports. Our fieldwork was completed on November 7, 2002. This report is based on our examination of the auditee's activities through the completion date of our fieldwork and does not reflect events or accounting transactions subsequent to that date.

Our audit did not include an examination of all the functions, activities, and transactions related to the operations of the Transit Department. Our audit test work was limited to the following areas:

- Review timecards, timesheets, Leave of Absence Forms (P-30) and approvals.

- Review leave taken to determine whether or not documentation is in order.
- Test approvals for upgrades, overtime worked and other changes in compensation.
- Check compliance with applicable laws, policies, and regulations.

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

FINDINGS

The following findings concern areas which we believe would be improved by the implementation of the following recommendations.

1. TRANSIT SHOULD ENSURE THAT EMPLOYEES PUNCH ONLY THEIR OWN TIMECARDS.

Transit employees worked shifts for each other and punched each other's timecard instead of their own. The employees who exchanged shifts signed a written agreement that was then authorized by the supervisor. The supervisor stated that when his employees worked for each other, he would ask them to sign a written agreement and then write in their time on the other person's timecard indicating that they were working for the other person.

In one example, two employees signed an agreement to work for each other. Employee A worked for Employee B and punched in on Employee B's timecard. Employee B did not come in to work for Employee A as agreed. Therefore, while employee A worked 40 hours his timecard only showed 32 hours worked. Employee B, whose timecard showed 40 hours, worked only 32 hours.

In another example, two employees worked for each other, punched each other's timecards, and worked in two different pay periods.

Record Keeping Requirements Under the Fair Labor Standards Act states, “. . .with respect to employees subject to the FLSA minimum wage and overtime provisions, the following records are required (29 C.F.R. paragraph 516.2): hours worked each workday and total hours worked each workweek (29 C.F.R. Paragraph (2)(7).”

Employees should be paid for the work they perform. If an employee does not punch his own timecard, it is unknown if the employee was paid for the correct number of hours. When employees punch each other's timecards, employee pay history is incorrect. Employee A and Employee B both work in the Parts Section. The potential for injury and the theft of parts is always possible. If employees are not on record as working a day

that they are injured, they may not be eligible to receive on-the-job injury benefits. Parts may disappear on a day that an employee is punched in, yet that individual did not actually work that day. Transit should ensure that all time recorded reflects the actual hours worked by employees.

Section 301-13 of the City's Personnel Rules and Regulations states, "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."

RECOMMENDATION

Transit should ensure that employees punch only their own timecards.

Transit should remind employees and supervisors that when they sign timecards and timesheets, they are attesting to the accuracy of those records.

Transit should ensure that timecards and timesheets reflect actual hours worked by the employee.

EXECUTIVE RESPONSE FROM TRANSIT

"The Transit Department agrees with this recommendation. Transit has procedures against an employee punching in for another employee. Employees have been notified that punching in for another employee is not acceptable, and appropriate personnel action will be taken for those who do. The department will also remind employees that they are attesting to the timecard's accuracy when they sign it, and that the timecard/timesheet must accurately reflect hours actually worked."

2. THE CITY CLERK'S OFFICE SHOULD ENSURE THAT PAYROLL DOCUMENTS ARE SCANNED IN A TIMELY MANNER.

The City Clerk's Office, Records Center, is used to store specific City records and documents in order to comply with state rules and regulations. The City Clerk's Office is a part of the Chief Administrative Officer's (CAO) Department. The Records Center changed the system for preserving payroll records during 2002. Prior to March 22, 2002, the Records Center microfilmed timecards and timesheets. The Records Center began scanning payroll documents instead of microfilming documents beginning with the pay period ending April 5, 2002. In November 2002, the Records Center was still working on scanning payroll records for the pay period ended April 5, 2002. As of August 2003, the Records Center was scanning documents from October 2002.

Preservation of records under the Fair Labor Standards Act states, “If [payroll] records are maintained at a central record keeping office separate from the place of employment, they must be made available to the Administrator of the Wage and Hour Division (or a duly authorized representative) within 72 hours of request (29 C.F.R. S516.7(a)).”

The scanner can take only a small stack of timecards and timesheets. Timecards and timesheets must be prepared for scanning before running through the scanning machine. A separator sheet must be put in between each different employee’s timecard or timesheet. Since timecards are smaller than an 8 ½” x 11” standard piece of paper or timesheet, they must be carefully centered in between the separator sheets. The scanner has a center roller that must grab the top center of the timecard to feed it through the scanner. Because timesheets are standard size, they feed easily through the machine.

The current scanning process is cumbersome and inefficient. The Records Center should review the scanning process to determine whether there is a more efficient way to scan non-standard size documents. Because the Records Center is behind in scanning timesheets and timecards, current payroll documents may not be readily accessible to departments, the administration, or outside agencies that may require access to the records or if the City needed the records to defend itself in litigation.

Once a batch of timecards and timesheets is scanned, the related computer program assigns a batch number. This batch number, along with the date, department, and name of the person whose timecard or timesheet was scanned is put on a cover sheet and attached to the front of the batch. Once a batch number is assigned, a Records Center employee must go through each timecard and timesheet on the monitor and input the related employee’s name and social security number. If the social security number is not on the timesheet or timecard, it is rejected and must be sent back to the department, unless the employee who is scanning can determine the employee’s social security number. Federal and State Regulations require reporting by social security numbers. Also, the employee’s social security number will be the number used when the respective department wants to research an employee’s timesheet or timecard. The social security number identifies the timesheet or timecard.

Transit only puts the last four digits of a social security number on the timecard. Therefore, all timecards will be rejected by the Records Center because they do not have a complete social security number. The Aviation Department (Aviation) and the Public Works Department (PWD) also have timecards or timesheets that do not have the employee’s full social security numbers on them. Transit has stated that its employees do not wish to have their social security number on timecards that are in plain view of other employees. One possible solution may be for the timekeepers who assemble timecards and timesheets at the end of a pay period to place a label with the employee’s name and social security number on the documents before forwarding to the Records Center for scanning or, the departments could have the employee put his/her social security number on documents when signing and submitting it at the end of the pay period.

RECOMMENDATION

The CAO Department should ensure that payroll documents are scanned in a timely manner.

The CAO Department should meet with the vendor of the scanner to explore solutions to alleviate the delay of scanning payroll documents.

Transit, Aviation and PWD should establish procedures to ensure that employees' social security numbers are on all timesheets and timecards prior to sending them to the Records Center.

EXECUTIVE RESPONSE FROM CAO DEPARTMENT

“The CAO Department concurs with the finding that payroll documents are not being scanned in a timely manner due to a backlog created at the time of initial implementation. The CAO Department (Office of the City Clerk), working with the payroll function within the accounting division of DFAS and ISD, will consider meeting with the vendor to explore the adequacy of the scanning equipment.

“An administrative instruction is currently being developed to help streamline the needs of both the Record Center and the departments, and to ensure that complete information is included on all payroll documents. The FLSA states that payroll records must be accessible within 72 hours of a request by the Wage and Hour Division. The payroll records that have not been currently scanned by the Record Center are filed by pay period ending date and are easily accessible by warehouse staff within the statutory time limit.”

EXECUTIVE RESPONSE FROM TRANSIT

“The Transit Department concurs and will start indicating employee SSNs on the timesheets/timecards effective with the pay period ending October 3, 2003.”

EXECUTIVE RESPONSE FROM AVIATION

“The Aviation Department concurs. As of July 1, 2003, Aviation prints employee timesheets with the social security number in the heading for each pay period. As stated previously, employees do not wish to have their social security number on timecards that are in plain view of others. The Aviation Department collects timecards at the end of the

pay period and then hand codes those timecards with the employee's social security number prior to submission of the documents to central payroll for imaging."

EXECUTIVE RESPONSE FROM PWD

"PWD concurs. Currently PWD timekeepers are ensuring that timecards and timesheets include the full social security number and the department's payroll officer conducts internal audits and training to ensure this is being completed. Periodically, timecards come back incomplete and they are subsequently corrected. The payroll officer plans to conduct another internal audit and training session on timecard preparation before December 31, 2003."

3. TRANSIT SHOULD COMPLY WITH CITY RULES AND REGULATIONS WHEN GRANTING MANAGERIAL LEAVE.

Transit has a Managerial Leave Policy, dated July 21, 1999, which was approved by the previous CAO. Transit's managerial leave policy states, "Leave will be granted on an hour-for-hour basis as appropriate" The policy also requires that a memo be submitted to the Director from the Deputy Director and Division Managers for approval of managerial leave hours earned.

As required by the policy, memorandums were in the employees' files listing the approval of hours granted to the employees. A memorandum dated October 4, 2002, identified thirteen Transit Supervisors who were reimbursed for extra hours worked ranging from 25 to 42 hours. It appears that the employees were compensated on an hour for hour basis, which would be in violation of the City's Personnel Rules and Regulations.

Personnel Rules & Regulations, Section 402.7, states, "Managerial leave is paid leave granted to management series employees who may be required to perform work in addition to or outside of their regular work schedules at the discretion of department directors." This section further states, "Managerial leave may be granted only as the result of a pre-existing plan or program authorized by the Chief Administrative Officer (CAO) which provides specific criteria, including the maximum award for such leave. **Managerial leave is not intended to compensate salaried employees on an hour-for-hour basis for work performed in addition to and/or outside of their regular work schedules** [emphasis added]."

Transit's Managerial Leave policy is in direct conflict with the Personnel Rules and Regulations. Therefore, Transit management employees are not being compensated appropriately.

RECOMMENDATION

Transit should comply with City Personnel Rules and Regulations for granting Managerial Leave.

Transit should submit a revised Managerial Leave Policy that does not conflict with City Personnel Rules and Regulations to the current CAO for approval.

EXECUTIVE RESPONSE FROM TRANSIT

“The managerial leave policy used by Transit was approved by the former City CAO and was useful in addressing certain needs within the department. However, the Transit Department acknowledges that the policy is in contravention of the City Personnel Rules and Regulations and will work with the current CAO to develop a new policy that is in compliance.”

4. TRANSIT SHOULD IMPROVE ITS PAYROLL PROCESSING PROCEDURES.

Transit does not have adequate supervisory review of its payroll function. Several inaccuracies with Transit payroll procedures for timekeeping and record keeping came to our attention during this audit. Some timesheets, Request for Leave of Absence Forms (P-30s), and the Record of Leave Balance Forms (P-29s) did not meet the requirements as defined by Fair Labor Standards Act (FLSA) Regulations, City Personnel Rules and Regulations, and City Administrative Instructions.

A random sample of 18 Transit employees' payroll records was reviewed to determine whether Transit personnel were complying with City requirements to prepare P-30s for leave requested, to have the P-30s approved by supervisors, and to have the P-30s available to the timekeeper when payroll data is entered into the City's computerized payroll system.

Employees sometimes submit P-30s after the end of the pay period. As a result, the timekeepers must submit numerous hours adjustment forms to correct prior payrolls. This misstates both regular and other hours and would be difficult to track should the City of Albuquerque enter into a litigation process with an employee.

A. P-30s were not completed correctly.

A review of P-30s for a 12-month time period was performed for 18 employees. Only 3 of the 18 employees completed P-30s correctly. P-30s were missing social

security numbers, pay units, department/division name, times, approval signatures and/or dates signed by the employees and by the supervisors. For one employee, four P-30s were missing both the employee's and the supervisor's signature and nine P-30s were missing the supervisor's signature.

Instructions for completing the P-30 require identifying information including name, employee number/social security number, payroll unit, department and division of the employee requesting the leave. The Form also requires the period requested including the beginning (from) date to the ending (to) date. It also states to be sure to enter the time of day(s) when the requesting employee will begin and end his/her leave.

City of Albuquerque Personnel Rules and Regulations state, "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."

B. Payroll Personnel Files Missing Forms

Payroll files for nine of the 18 employees selected for review were missing forms including P-30s, Vacation Donation Forms, Upgrade Forms, memorandums authorizing Managerial Leave and memorandums authorizing holiday work. Transit was also missing the signed copy of the Sick Leave Incentive Report for July 1, 2001 to December 31, 2001.

Administrative Instruction No. 7-6, Leave of Absence Form (P-30), states, "Department directors and supervisory staff are responsible for insuring that the procedures for accurately recording leave are followed and that records and supporting documentation are properly maintained." A memo from the Chief Administrative Officer dated June 16, 1998, to all department directors states, "Departments should retain copies of the P-30 for at least three years since these will be the official record of leave."

C. Supervisor/Manager Dates of Approval Missing

Neither the Fiscal Officer nor the Fiscal Manager dated their signatures when authorizing and approving P-30s, Manual Check Requests, Pay Adjustment Request Forms, or Hours Adjustments Request Forms. Without a date of approval on payroll forms, it is unclear when the action was approved.

D. P-30s Not Submitted Timely As Required by Administrative Instruction

Some employees consistently turn in P-30s for multiple days and hours, weeks after vacation time was taken. Examples within the selected sample include the following:

- A P-30 signed and approved on August 13, 2002, for 5 hours vacation included July 17 - 2.25 hours, July 18 - .5 hours, July 23 - .5 hours, July 24 - 1.5 hours, July 26 - .25 hours.
- Multiple P-30s signed and approved on November 29, 2001, for August 14, August 15, October 29, and November 14.
- A P-30 signed and approved on September 9, 2002, for September 12 – 4 hours and August 26 – 2.25 hours.
- A P-30 signed and approved on September 9, 2002, for August 12 – 4.76 hours and August 14 thru the 15 – 8.5 hours.
- A P-30 signed and approved on September 9, 2002, for August 2 – 1.75 hours, August 8 - .50 hours, and August 9 – 4 hours.

Administrative Instruction No. 7-6 states, “Vacation Leave must be requested in advance. Sick Leave (Personal Absence) is to be used for illness and/or routine medical appointments.”

E. P-30s should agree with the time recorded in the Ross Payroll System and the employee timecard or timesheet.

One employee took 16 hours of sick leave during the pay period ended August 9, 2002. The sick leave was posted to the pay period ended September 6, 2002.

Another employee took 8 hours of vacation during the pay period ended May 3, 2002. This vacation was posted to the pay period ended May 3, 2002 and again as an adjustment for the pay period ended July 26, 2002.

In the instances identified above, the P-30s and payroll history reports were not in agreement. It appears the supervisors did not compare the P-30s to the timesheets. Therefore the employees’ leave balances may be incorrect, which could result in incorrect payment to the employees.

The above examples show control weaknesses that indicate a lack of Transit supervisory review and involvement in the payroll function.

Corrections made after the fact have led to posting errors. Because documentation was not received timely, and adjustments were made after the fact, adjustments do not accurately reflect the actual event. Since the auditor only looked at a sample of postings and found significant errors, there may be other similar undetected errors in the files not included in the sample.

RECOMMENDATION

Transit should develop procedures to ensure that P-30s are accurate and complete.

Transit should develop procedures to ensure that payroll documentation is properly maintained.

Transit should ensure that supervisors record the date of their approval on all payroll forms.

Transit should develop procedures to ensure P-30s are turned in on a timely basis for payroll processing during the time period taken.

Transit should ensure that the data input into the payroll system is reviewed to ensure the accuracy of the data.

EXECUTIVE RESPONSE FROM TRANSIT

“The Transit Department concurs. Transit will write a complete payroll policy and procedures draft by November 1, 2003. After it is finalized, all supervisors will be properly trained on the policy and procedures.”

5. TRANSIT SHOULD ENSURE THAT SUPERVISORS PROPERLY REVIEW AND APPROVE ALL PAYROLL DOCUMENTS PRIOR TO GIVING THEM TO THE TIMEKEEPERS.

Transit needs to improve its supervisory review of employee's timesheets and payroll processing. The problems identified in the findings above taken together represent a major supervisory review weakness.

An example of lack of supervisory review of timesheets was seen in a timesheet that showed an employee driving two different SunVan routes at the same time. 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, P-30s, and adjustments and sign these forms to indicate their agreement and approval. A possible solution would be to have supervisors check in employees as they report for their shift. This would ensure that all time reported is accurate and it would also give supervisors an opportunity to ensure that drivers are fit for duty.

RECOMMENDATION

Transit should ensure that supervisors verify the time that employees work, prior to reporting the time to timekeepers.

EXECUTIVE RESPONSE FROM TRANSIT

“The Transit Department concurs. Transit’s new payroll policy and procedures will address this issue.”

6. TRANSIT SHOULD DEVELOP TRAINING AND WRITTEN PROCEDURES FOR ADMINISTRATIVE PERSONNEL WHO ARE RESPONSIBLE FOR DIVISION TIMEKEEPING.

The Payroll Section of Transit’s Fiscal Division consists of one timekeeper supervisor and two timekeepers who input employees’ time into the City’s computerized payroll program. In addition, other Transit Divisions have administrative employees who post the timesheets, timecards, or exceptions to the P-29s.

The timekeepers should be recording timesheet, timecard, and exception data into the automated payroll system directly from the source documents. Posting time on the P-29 and then entering the time into the automated payroll system increases the potential for errors. Transit should enter exceptions to regular schedules directly from P-30s and reconcile the P-30s with the electronic P-29s to verify exceptions are correctly entered. Currently, the administrative employees transfer time reported and exceptions to the P-29, then enter time on the automated system from the P-29. These administrative employees also gather and sometimes generate the timekeeping source documents such as the P-30s, Upgrade Forms, Timesheets/Timecards, and Overtime Approval Forms.

Most of these division administrative employees who perform these payroll duties received an initial explanation of their job duties related to payroll from the Payroll Section of Transit’s Fiscal Division. But updated training or written procedures have not been provided. Two of the division administrative employees, whom we interviewed, expressed a strong interest in payroll training.

Providing training and written procedures to administrative personnel could alleviate some of the problems processing payroll forms.

Supervision of timekeepers should be increased. Administrative personnel who work with payroll should receive adequate training and supervision. Without adequate supervision, many errors are made which could be avoided. Employee payroll and leave may be incorrectly paid and recorded.

RECOMMENDATION

Transit should develop training specifically for administrative personnel who are responsible for their division’s timekeeping, completion of P-29s and other payroll forms.

Transit should review its current payroll process that uses the manually posted P-29s to enter time into the automated payroll system and consider revising the process.

Transit should develop written procedures that outline Transit's specific payroll processes for use as a timekeeper reference tool.

Transit should develop procedures that ensure all timekeepers are properly supervised.

EXECUTIVE RESPONSE FROM TRANSIT

“The Transit Department concurs. The P-29s will be discontinued January 2004. When the payroll system web-base upgrade is implemented, all administrative personnel who are responsible for their division's timekeeping will be retrained. As stated previously, the department's new payroll policy and procedures will be drafted by November 1, 2003.”

7. TRANSIT SHOULD RESCIND THE DATA ENTRY CAPABILITIES OF THE SUPERVISOR WHO REVIEWS AND APPROVES PAYROLL.

The concept of separation of duties is based on the need to separate custodial responsibility, accounting responsibility, and operational responsibility. This approach provides a system of checks on the competency and integrity of personnel, because it is not likely for a single individual to control a transaction without creating a need for review.

Good internal controls require a separation of duties for the processing and review of data entered. Two timekeepers and the supervisor have the capability to enter data to the automated payroll systems.

The supervisor reviews and approves the data entry. Because the supervisor has the capability to enter data to the automated payroll system, she can make changes to the timekeepers' entries without anyone else reviewing the time entry. Therefore, someone who does not have data entry capabilities on the automated payroll system should perform the review and approval of payroll entries.

RECOMMENDATION

Transit should rescind the data entry capabilities of the supervisor who reviews and approves payroll or assign another employee who does not have data entry capabilities to review and approve payroll entries.

EXECUTIVE RESPONSE FROM TRANSIT

“The Transit Department concurs and will rescind the data entry capabilities of the supervisor who reviews and approves payroll, as soon as resources become available, hopefully by the end of this calendar year.”

8. TRANSIT SHOULD ENSURE THAT EMPLOYEES ARE SUBMITTING EXCEPTION REPORTS AS REQUIRED.

One employee in the random sample of 18 employees reviewed, who is an M-14 and exempt, did not turn in an exception report. The City of Albuquerque requires that its exempt employees below grade M15 prepare exception reports each biweekly pay period. The exempt employees do not record their hours worked on the exception reports, because they are not paid on an hourly basis. They only record exceptions to their regular work schedule, such as vacation leave, sick leave and other paid and unpaid absences.

A June 16, 1998, letter from the Chief Administrative Officer to all department directors stated: “timesheets will no longer be required of management employees at the grade of MP-5 [M15] and higher. Instead, time keepers will use P-30's as the basis for calculating and reporting hours into the payroll system . . .”

Transit should require the M-14 employee to complete an exception report to ensure that it captures all of the required information. Transit is not complying with City required payroll documentation.

RECOMMENDATION

Transit should ensure that employees are submitting exception reports as required.

EXECUTIVE RESPONSE FROM TRANSIT

“The Transit Department concurs that employees below grade M-15 should submit exception reports, and this has been implemented.”

9. TRANSIT SHOULD DEVELOP PROCEDURES THAT REDUCE TIMEKEEPER ENTRIES TO PERSONAL LEAVE WITHOUT PAY.

Transit employees who are late for their scheduled work time or employees who fail to submit leave requests on a timely basis are charged with personal leave without pay (PLWP) for the time. Transit should develop department-wide policies that specify disciplinary actions to be taken for frequent late arrival and failure to submit leave requests. It appears that Transit is using PLWP to penalize these employees. The employees may have sick leave and vacation leave available for use. PLWP should be used to code leave taken by employees who do not have an accrued balance of hours to support time off, when approved by their supervisors. The City's Personnel Rules and Regulations, Section 402.5 B. states, "Employees must exhaust all accrued vacation and other paid leave, with the exception of sick leave, prior to receiving approval for leave without pay." PLWP is not designed to be used as a punitive measure.

Transit should consider disciplinary action for employees who are consistently late or fail to turn in leave requests. When timekeepers code employees' time to PLWP to discipline employees, the timekeepers usually adjust the time to sick or vacation leave in subsequent pay periods. This causes timekeepers unnecessary work to find out the reason for the lack of leave authorizations and then again when they adjust the time. Transit supervisors should address the reasons that PLWP is used so frequently.

RECOMMENDATION

Transit should develop procedures that specify disciplinary actions to be taken for frequent late arrival and failure to submit leave requests timely, to reduce timekeeper entries to PLWP.

EXECUTIVE RESPONSE FROM TRANSIT

"The Transit Department concurs and the department's new payroll policy and procedures will address this issue."

10. TRANSIT SHOULD ENSURE THAT AUTHORIZATIONS TO PICK UP PAYROLL CHECKS ON FILE WITH TREASURY ARE UPDATED.

City departments complete forms on file at Treasury that give authorization to individuals to pick up payroll checks for their departments. The Treasury Department's list of employees authorized to pick up Transit Department's paychecks is outdated. One employee on the list works in a department outside of Transit and another employee no longer works for the City. Transit should update its authorized personnel for payroll check pickup with the Treasury Department anytime there is a change in the personnel. Poor controls over City assets may lead to the loss, theft, or misuse of payroll checks.

RECOMMENDATION

Transit should ensure that authorizations to pick up payroll checks on file with Treasury are kept up to date.

Transit should perform a periodic review of authorizations to ensure that information is current and that outdated authorizations are rescinded.

EXECUTIVE RESPONSE FROM TRANSIT

“The Transit Department concurs and has already finished updating the payroll pickup authorizations.”

11. THE DEPARTMENT OF FINANCE AND ADMINISTRATIVE SERVICES (DFAS) SHOULD IMPLEMENT A PROCEDURE FOR DOCUMENTING AND DISTRIBUTING SPECIAL PAY INFORMATION TO DEPARTMENT TIMEKEEPERS.

Three employees in the randomly selected sample had a special pay (SP) entry that appeared in the Pay Detail by Employee Report during the time period selected for review. In the automated payroll system, SP is used to code special pays that are not addressed by any other pay codes. An entry to SP is normally a one-time payment. SPs are generated two ways: by DFAS as a mass change, or by the respective department initiating an SP. There are no guidelines, procedures, or controls for entries made to SP within the payroll system. Nor is there a central location for supporting documentation for special pays, such as in the affected employees' payroll files. If the SP entry is part of a mass change, DFAS should have the supporting documents. If the department generates the SP entry, the department and the Payroll Section should have the supporting documentation.

The Transit Payroll Section was unable to provide documentation for the special payments to these three employees. Transit payroll section personnel stated that they do not make entries to the SP code. The Special Pay Report that shows other special pay such as longevity or clothing allowance did not have the SP payments on it. DFAS stated that there was not a screen or report produced by the automated payroll system that would provide information on these entries. The respective employees' payroll personnel files in Transit did not have documentation explaining why the employees received SP payments. After extensive research it was determined that the payments were appropriate.

There are no required guidelines or procedures for entries made to SP. If the departments do not have the documentation for a special pay, the department does not know if the payment is made to the correct person for the correct amount. Transit's payroll section does not have information available to verify the special pay amounts.

RECOMMENDATION

DFAS needs a procedure for documenting and distributing special pay information to department timekeepers.

DFAS should develop a report for timekeepers to generate in order to verify special pay amounts coded to SP as well as other codes.

Transit should ensure that timekeepers review the payroll reports for unusual items including special pays and verify the amounts and the explanation for such payments.

EXECUTIVE RESPONSE FROM DFAS

“DFAS concurs. All information regarding payments to employees is provided in standard payroll reports that are available on-line to all departments--payroll proof, payroll register, labor distribution and time card detail. The time card detail includes all special pay entries. DFAS will remind timekeepers at a user group meeting that this information is available.

“All individual one-time payments entered by central payroll are documented by a request from the department. Across-the-board one-time payments are documented by either a bargaining agreement, a memorandum of understanding between the City and the bargaining unit, or memo from the Chief Administrative Officer. As a courtesy, departments are generally reminded of across-the-board payments through user group meetings and/or e-mail.”

EXECUTIVE RESPONSE FROM TRANSIT

“The Transit Department concurs. This is a training issue; the special checks are checked manually for verification.”

12. DFAS SHOULD TRAIN DEPARTMENT TIMEKEEPERS HOW TO ACCESS MANUAL CHECK INFORMATION.

Instances when a manual check is needed include an employee who didn't get a paycheck because the employee didn't turn in a timesheet and the timekeeper did not check the list of employees who should be getting a check, or the paycheck amount was wrong. The department must request a check from the DFAS Payroll Section with a check request form that must be signed by a Division Manager and the timekeeper.

The DFAS Payroll Section receives a computer-generated list that is printed along with the manual checks. Department timekeepers can also access manual checks issued to

employees on the Payroll Register (Detail) for the payroll period in which the check was issued.

The Transit payroll supervisor did not know how to access manual check information. Good internal controls dictate that all information should be available to individuals responsible for functions such as payroll.

RECOMMENDATION

DFAS should provide information to timekeepers on how to access manual check information.

EXECUTIVE RESPONSE FROM DFAS

“DFAS concurs. All manual check information is included on the payroll proof and payroll register reports that are available to all departments. DFAS will remind timekeepers that this information is available.”

13. TRANSIT SHOULD ENSURE THAT TEMPORARY UPGRADES ARE MADE IN ACCORDANCE WITH CITY POLICIES.

Transit did not have completed forms to support all temporary upgrades. Temporary upgrades place employees in a position higher than the one they currently occupy. Upgraded employees' salaries are increased to compensate for the upgraded duties. Without the properly authorized temporary upgrade forms, the department cannot be certain that employees are working in an approved upgrade status.

Pay Detail Reports were reviewed for upgraded employees. The Pay Detail Report showed six employees were temporarily upgraded between October 1, 2001 and September 30, 2002. We reviewed the temporary pay upgrade forms for these six employees.

- For one employee, six of eighteen upgrade forms were not on file.
- The department director did not sign one of the eighteen upgrade forms that were on file.
- For the remaining five employees who were temporarily upgraded, ten upgrade forms were submitted, all of which were incomplete. These upgrade forms were missing information including department director approval signatures, reason for upgrade, upgraded pay rate or percentage of the increase, and pay period dates for the temporary upgrades.
- For one employee, four upgrade forms were also submitted to record overtime worked.

The unsupported upgrades were not identified by the supervisory review of payroll.

RECOMMENDATION

Transit supervisors should review payroll to ensure that temporary upgrades are properly completed, justified, documented and approved.

Transit should ensure that all payroll forms are maintained.

EXECUTIVE RESPONSE FROM TRANSIT

“Transit concurs and will ensure that all payroll upgrades comply with City policy, and all related documentation is maintained.”

14. MISCELLANEOUS

The following findings do not require a response, but should be considered as additional ways to improve Transit’s administration of the payroll function.

- A. The Position Control Report lists employee master information that includes position job codes, organization, and counts of authorized and budgeted positions. One employee was listed on this report twice

Transit should perform a review of all employees on the Position Control Report on a regular basis. Any discrepancies should be promptly reported to the Human Resources Department for correction.

- B. Transit utilizes a manual leave record (P-29) to track leave balances and to input payroll hours or exceptions to the regular work schedule into the Ross Payroll System. For the selected sample of employees, all of the P-29s had changes or alterations that were made using white out/liquid paper.

Transit should ensure that changes made to P-29s are done by crossing out incorrect information and writing in the correct amounts. The employee and their supervisor should initial changes.

- C. A Transit employee’s timecard shows the employee clocks in for 10 hours and does not take an unpaid ½ hour lunch. Per the Union Contract and the City’s Personnel Rules and Regulations, the employee must take an unpaid lunch unless a memorandum of understanding exists. A memorandum of understanding was not on file in his payroll personnel file.

Transit should ensure employees are taking lunch breaks as required by the union contract and Personnel Rules and Regulations or complete a memorandum of understanding.

- D. Buses run from 4:45 am to 11 pm. A basic shift is either 8 hours or 10 hours. Most overtime is done on a volunteer basis. The bus drivers are not limited to a certain number of work hours in a day, as long as they have an 8-hour rest period between work times. There is no actual requirement as to how many hours a driver can work; they just need an 8-hour break between days. Therefore a driver could work a 16-hour day if he so desires. This could result in safety issues.

Transit should consider implementing a policy limiting the number of hours a bus driver can drive during a day.

EXECUTIVE RESPONSE FROM TRANSIT

“A. Duplicate employee listings on the position control report are a system issue. Accounting and ISD are aware of this problem and are working with the system vendor to get it corrected.

D. Transit concurs and has now limited the number of hours any driver can drive within a 24 hour period in order to enhance safety. However, as stated above, the union contract requires only 8 hours of rest in each 24 hour period.”

CONCLUSION

By implementing these recommendations Transit will better fulfill its responsibility to administer City payroll policies and procedures in an effective manner.

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

REVIEWED and APPROVED:

Principal Auditor

Audit Manager

APPROVED:

APPROVED FOR PUBLICATION:

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