



City of Albuquerque
Office of Internal Audit and Investigations
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Accountability in Government Oversight Committee
City of Albuquerque
Albuquerque, New Mexico

Audit: Payroll Audit
Albuquerque Fire Department
02-121

FINAL

INTRODUCTION

The Office of Internal Audit and Investigations performed a payroll audit of the Albuquerque Fire Department (Fire). For fiscal year (FY) 2004, total personnel expenditures for 602 full-time positions at Fire were approximately \$43 million. For FY2005, Fire personnel expenditures were budgeted at \$49 million for 665 full-time positions, 83% of its total budget.

Fire personnel work many different schedules ranging from 40 hours per week to 56 hours per week. Fire stations operate on a rotating 3 shift, 24 hours a day, 7 days a week basis. Fire utilizes a program called Telestaff to assist in the complicated scheduling.

Telestaff and the City of Albuquerque's (City) automated payroll system assign employees a pre-defined work schedule. A timesheet is created that reflects the standard work schedule information, including the number of hours worked each day and scheduled days off. These standard schedules can then be changed to reflect any exceptions to the employee's standard work schedule. As an exception to the regular work schedule occurs, this exception must be input into both the Telestaff and the City's automated payroll system. Currently these two systems do not interface with each other.

According to the approved budget for FY2005:

The Department provides diverse, superior emergency service response in a timely, consistent, and professional manner. Firefighters in Suppression and Rescue Services provide service to the community 24 hours a day and are assigned to 23 engine companies, 16 rescue companies, 6 ladder companies and 2 hazardous materials

response units. The nature of the operations and service includes E-911 emergency dispatch, the provision of fire prevention, structural and wildland fire suppression, emergency medical services, hazardous materials containment and control, specialized technical rescue, arson investigation, and response to and control of all manner of emergency situations.

Although the release of the audit has been delayed, we informed AFD management of the issues as we discovered them during fieldwork.

INTRODUCTORY STATEMENT FROM AFD:

“Audit Report 02-121 identifies payroll-related functions at the Albuquerque Fire Department for the twelve-month period ending December 31, 2002. The preliminary fieldwork for the audit was completed in March 2003, and audit findings were delivered to AFD in May 2005. Before receiving the audit findings, the Department had recognized that there were specific issues that needed to be addressed, and – concurrent with the audit – began process changes that would alleviate or eliminate those problems. The Department has successfully implemented solutions to the problems identified through the audit, and with those in place, have addressed and are correcting any deficiencies and/or discrepancies in AFD’s fiscal accountability.

“In addressing the audit recommendations, the Department augmented clerical and management staffing to ensure adequate oversight of the accuracy of payroll processing. An additional timekeeper was added in May 2004, and a fiscal supervisor was added in November 2004. The entire payroll staff has been carefully trained in updated procedures, and their work is monitored to ensure additional levels of accountability and accuracy.

“The implementation of new procedures identifies the segregation of clerical responsibilities, the appropriate supervisory review of payroll entries, and the proper backup of pertinent supporting documents. The quality-review of 100% of pay entries, occurring each pay period, assures compliance with City of Albuquerque official procedure, is inline with accepted accounting practices, and maintains the Department’s fiscal integrity.”

OBJECTIVE

Are the internal controls over the payroll function adequate and functioning as intended?

SCOPE

For the two week pay period ending December 27, 2002 and for the twelve-month period ending December 31, 2002, we reviewed payroll documents for a judgmental sample of employees.

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. This report

reflects our examination of activities through the completion of fieldwork and does not reflect events after that date.

The audit was conducted in accordance with Government Auditing Standards, except Standard 3.49, which requires an external quality review.

METHODOLOGY

Our sample was judgmentally selected from a population of 608 employees. We reviewed a 3 percent sample or 18 employees which included the timekeeper and timekeeper supervisors.

Our audit test work was limited to the following areas:

- Timesheets, Telestaff exception reports, P-30 forms, adjustments and approvals.
- Leave taken to determine if documentation was in order.
- Approvals for upgrades, overtime worked, shift exchanges and other changes in compensation.

Additionally, we interviewed key personnel and performed analytical procedures. This audit and its conclusions, is based on information provided through interviews, tests and reviews of current procedures.

FINDINGS

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

1. FIRE SHOULD DEVELOP PROCEDURES TO ENSURE THAT HOURS ENTERED ON THE AUTOMATED PAYROLL SYSTEM AND TELESTAFF AGREE.

Fire uses Telestaff for tracking exceptions to an employee's regular work schedule. Exceptions include vacation and sick leave, work off site, other paid absence such as voting or blood donation, upgrades, compensatory (comp) time, personal time, trade time, and any other time as shown on a Request for Leave of Absence (P-30). As these exceptions occur, they are input into the Telestaff program.

An exception report is printed from Telestaff for each employee for each pay period. The employee and supervisor review the exceptions to the employee's regular work schedule. Both the employee and supervisor sign the exception report and it is submitted in place of a timesheet. P-30s are completed and submitted with the signed and approved exception report.

The City's automated payroll system computes and generates bi-weekly employee pay checks. The City's automated payroll system also has the employees' pre-defined work schedule including the number of hours worked each day and scheduled days off. As an exception to the employee's regular work schedule occurs, the timekeeper must input this exception into the City's automated payroll system. The timekeeper also receives a fax every day from the field operations center with additional handwritten exceptions to employees' work schedule that were not entered into the Telestaff tracking system, including overtime. The timekeeper inputs the exceptions into the City's automated payroll system on a weekly basis.

The auditor selected a sample of eighteen Fire employees out of 608 employees for testing. We tested for compliance with City payroll requirements and verified that all exceptions to the regular work schedule were supported by properly completed payroll documents. Errors were found in all of the first eight of 18 employee payroll/personnel files tested. Payroll/personnel records reviewed included Telestaff exception reports and timesheets, P-30s, hours adjustment forms, and upgrade forms. Since the first eight employees' payroll documents all had errors, the auditor did not continue to review the balance of the employees' payroll/personnel files.

Numerous discrepancies were found between the time recorded on the Telestaff exception report and the corresponding entries made to the City's automated payroll system. Also, many P-30s were either not on file or were not completed as required. Numerous P-30s were not submitted timely as required by Personnel Rules and Regulations, and several payroll timesheets and Telestaff exception reports were missing.

For the twelve-month period ending December 31, 2002, the following discrepancies were found for the eight employees:

- There were 23 occurrences (a total of 190.5 hours) where vacation leave, sick leave, or personal time off was taken by the employee but the leave time was not posted to the City's automated payroll system and removed from the employees' balance of leave.
- There were 67 occurrences (a total of 1,125 hours) where P-30 forms were not on file for leave taken by employees.
- There were 11 occurrences (a total of 198.5 hours) where leave was posted to the City's automated payroll system but was not shown on the Telestaff Exception Report.
- There were 22 occurrences (a total of 191 hours) where comp time was worked or taken which was not posted to the City's automated payroll system.

- There were 11 occurrences where there was a difference in temporary upgrade hours between Telestaff Exception Report and the City's automated payroll system.
- There were 56 occurrences where P-30 forms were submitted but were not properly completed.
- There were 3 occurrences where vacation leave time was posted to the incorrect pay period.
- There was 1 occurrence where union time was posted as regular hours.
- There were 4 occurrences (a total of 58 hours) where an employee traded time with another employee which was not entered into the City's automated payroll system.
- There were 2 occurrences where work off site was coded as regular hours.

City of Albuquerque (City) Personnel Rules and Regulations 301.13 City Records and Accounting 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."

In addition, City 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." It also states, "Approval for leave of any type must be obtained from the department director or designated representative," and "Vacation Leave must be requested in advance. Sick Leave (Personal Absence) is to be used for illness and/or routine medical appointments."

Recordkeeping requirements under the Fair Labor Standards Act (FLSA) state, "The Act requires no particular form for the records, but does require that the records include certain identifying information about the employee and data about the hours worked and the wages earned. The law requires this information to be accurate." Two of the fourteen basic records that an employer must maintain include hours worked each day and total hours worked each workweek. It also states, "Any timekeeping plan is acceptable as long as it is complete and accurate."

Fire's Standard Operating Guidelines, states, "Each Firefighter/employee is responsible for completing and turning in their own P-30." It also states, "Every FLSA period ending, the employee will generate their FLSA sheet and attach a P-30 for time taken off within that FLSA period. . . The Firefighter/employee will submit a completed P-30 or a copy of the employee's green copy to the Timekeeper at Fire Headquarters no later than 6

days after the FLSA date ends. . . If an employee's P-30 is not in the Fiscal Division by the 6th day after the FLSA date ends, the Timekeeper will enter the hours submitted on the P-30 Report as 'UNAUTHORIZED LEAVE WITHOUT PAY'."

The submission of P-30s in accordance with City policy was previously identified as a problem in two prior audits of Fire (Report Nos. 96-101 and 97-113). Both audits reported errors in the proper completion of the P-30s, the timeliness in submitting the P-30s, and the proper supervisory review of the P-30s. Response from Fire indicated that, "A new procedure addressing the . . . issues surfacing in this finding will be drafted and implemented as soon as possible."

However, Fire did not review the timekeeper's entries into the City's automated payroll system. Fire did not have a review process to ensure that data was accurately entered into the City's automated payroll system. Fire did not follow its own procedure for unauthorized leave without pay for P-30s not submitted.

The responsibility for accurate time reporting lies with the payroll supervisors. Fire does not review the Timecard Detail Report (TCD) and the Payroll Proof Register as required by Department of Finance and Administrative Services (DFAS). Without such a review, Fire cannot reconcile the timesheets, Telestaff exception reports, and P-30s. If Fire does not reconcile these documents, it cannot determine the actual time worked.

Each of the above exceptions for the sample selected show control weaknesses indicating a lack of supervisory review and control of the payroll function.

RECOMMENDATION

Fire management should develop a department payroll procedures manual that contains the basic requirements for compliance with FLSA, City Personnel Rules and Regulations, and Fire's Standard Operating Guidelines.

Fire should print the Telestaff Exception Report at the end of every pay period, and Divisions Managers should review and approve this Exception Report.

Fire should review the TCD Report and Payroll Proof Register to ensure accuracy of payroll entries and payment to employees. Any exceptions or irregular changes should be cross checked to employee leave balances and approved payroll forms.

Fire should ensure that P-30 forms are properly completed and turned in on a timely basis. Supervisors should ensure that all P-30s are signed and dated by the employee and the supervisor, and that they contain the pay unit of the employee and the employee's department and division.

Fire should train managers and supervisors what they are responsible for when reviewing and approving payroll documents.

Fire should review all employees' payroll/personnel files and correct payroll discrepancies.

EXECUTIVE RESPONSE FROM FIRE

“To ensure segregation of duties, AFD has already developed and implemented procedures to ensure concurrence between the hours entered on the automated payroll system (EmPath) and the information provided by the staffing management system (TeleStaff). A departmental payroll procedures manual is currently under development, but new procedures have already been implemented to ensure compliance with applicable federal, City, and Department protocols.

“The FLSA payroll cycle for AFD personnel is a twenty-four day cycle. To accommodate accounting procedures, TeleStaff exception reports are printed at the end of every cycle, and are signed by the employee and approved by their supervisor. The report thus serves as a timesheet. The fiscal supervisor further reviews P-30's for completeness and accuracy, and ensure that all requisite documents (P-30s and timesheets) are submitted in a timely manner.

“The Department's fiscal supervisor then generates a timecard detail report (TCD) in EmPath, and an exception report in TeleStaff at the end of every two-week pay period. The entries on the TCD report are quality-checked for accuracy by the fiscal supervisor. We consider this to be the most significant quality measure in the process.

“The Department's staff has been appropriately trained in these procedures; they meet regularly with management to review existing and/or updated procedures. In accordance with the audit, the Department has completed a comprehensive review of all employee payroll files, as they corresponded between Telestaff and the previously-operated COA payroll system (ROSS). Corrections to the payroll files are being made and entered into EmPath, as deemed appropriate for compliance.”

2. FIRE SHOULD ENSURE THAT EMPLOYEES SUBMIT COMPLETE AND ACCURATE PAYROLL FORMS ON A TIMELY BASIS.

The City's payroll check register was reconciled to Fire's payroll records for the sample of eighteen Fire employees for a two week pay period. We tested these records to

determine if there was documentation to support hours worked or exceptions to regular hours worked and that the documentation was complete, accurate, and in compliance with City payroll requirements. Payroll records reviewed included Telestaff exception reports and timesheets, P-30s, hours adjustment forms, and upgrade forms.

For the two week pay period ending December 27, 2002, the following discrepancies were found for the eighteen employees:

A. Payroll Register did not agree with Timesheets/Exception Reports.

One employee was paid for 10 hours of overtime holiday pay that was not recorded on the signed and approved exception report.

One employee was paid for 70 hours of vacation. The exception report recorded only 50 hours of vacation. A P-30 was not on file to confirm the correct number of vacation hours.

Two employees were paid for 24 hours of temporary upgrade pay when their exception report documented the two employees worked only 10 hours of temporary upgrade hours and 14 regular hours.

Another employee was paid for four hours of temporary upgrade pay which was not recorded on his exception report.

B. Payroll Timesheets/Telestaff Exception Reports Not on File

Seven of the 18 employees were missing timesheets or exception reports as required by City policy and the Fair Labor Standards Act (FLSA). The seven individuals are non-exempt employees and subject to FLSA. One of these employees was the payroll supervisor, an M series employee who is also subject to City Administrative Instructions requiring a bi-weekly timesheet.

C. Payroll Forms Missing Signatures

The eight employees whose timesheets or exception reports were on file were missing signatures of the employee, the supervisor, or both.

D. Personnel Files Missing Forms Authorizing Leave of Absence

Six of the 18 employees were missing P-30s which authorized leave for vacation and sick leave for this two week time period.

Each of the above exceptions for the sample selected show control weaknesses indicating a lack of supervisory review and control of the payroll function.

As discussed in Finding No. 1, the above documents are required to be complete, accurate and on file. Also, leave of any type must be requested in advance and approval obtained from the department director or a designated representative. If these documents are not consistently reviewed and approved, Fire cannot rely on payroll documents to accurately reflect the actual hours worked or leave hours used.

RECOMMENDATION

Fire should develop procedures to ensure that employee payroll files are complete and that payroll documentation is properly maintained.

Fire should develop procedures to ensure that timesheets and Telestaff exception reports are complete, accurate, and submitted as required and on a timely basis.

Fire should develop procedures to ensure P-30s are complete, accurate, and turned in on a timely basis.

Fire should review the data input into the payroll system to ensure the accuracy of the data.

Fire should ensure that employees and supervisors sign and date all payroll forms.

EXECUTIVE RESPONSE FROM FIRE

“AFD agrees. Deadlines are now in place to turn in timesheets. The fiscal supervisor reviews timesheets and ensures that P-30’s are attached.”

3. FIRE SHOULD IMPROVE ITS SUPERVISORY REVIEW OF PAYROLL DOCUMENTS AND PAYROLL PROCESSING.

The responsibility for ensuring that the time reported by employees is accurate and complete lies with the employees’ supervisors. Fire needs to improve its supervisory review of payroll documents and payroll processing. The problems identified in the findings within this report taken together represent a major supervisory review weakness.

The employees’ supervisors should review employees’ timesheets, Telestaff exception reports, P-30s, and adjustments and sign these forms to indicate their agreement and approval. This is a repeat finding from Audit No. 96-101 Special Audit of Albuquerque Fire Department, issued January 17, 1996, which recommended that “AFD time sheets should be reviewed and approved by the employees’ immediate supervisors. This review should occur regardless of whether the employees reported exceptions to the work schedule. The AFD payroll section should not accept timesheets that have not been approved by the employees’ supervisors.” The Executive Response from AFD was “A

new procedure addressing the issues surfacing in this finding will be drafted and implemented as soon as possible.”

There was also no supervisory review of timekeeper input. Errors are caught and corrected when the employee calls with questions or problems with their paycheck. In addition, neither the timekeeper nor the payroll supervisor was reviewing the Timecard Detail (TCD) or the Payroll Register as required by DFAS. If timekeeper input is not reviewed, Fire cannot rely on payroll hours entered to accurately reflect the actual hours worked or leave hours used.

RECOMMENDATION

Fire should ensure that supervisors review the time and exceptions to time that employees report.

EXECUTIVE RESPONSE FROM FIRE

“The Albuquerque Fire Department uses TeleStaff as an automated payroll staffing system, and recognizes its efficiency and effectiveness as a controlled method for providing a mandatory supervisory review of payroll processing. To maintain its mission-specific capability, the Department has defined minimum-staffing requirements on all apparatus and at all facilities under its command. If, for example, an employee calls in sick, an entry is made directly into the TeleStaff system, thus documenting and time-stamping the exception. An on-site FOC Commander provides oversight to the process. TeleStaff exception reports are printed every twenty-four days to coincide with the FLSA testing period, and are signed by the employee and approved by their supervisor.”

4. FIRE SHOULD ENSURE SEPARATION OF DUTIES FOR PAYROLL.

Good internal controls require a separation of duties for the processing and review of data entered. 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. There is no separation of duties at Fire for the input of payroll data and the distribution of payroll checks.

Fire has one timekeeper and a timekeeper supervisor who both have the capability to enter data to the automated payroll systems. The timekeeper supervisor does not review or approve the data entry. Therefore the timekeeper has full access and control from start to finish with no supervisory review. In addition, the timekeeper enters her own payroll. The timekeeper enters payroll, makes changes/adjustments to the payroll, and while the timekeeper does not pick up the pay checks, she sorts the checks by division/battalion to

be picked up by the Battalion Chiefs. An employee who has data entry duties should not have access to payroll checks.

This is a repeat finding from Audit No. 97-113, Suppression Division, Albuquerque Fire Department issued January 23, 1997, at that time the Fiscal Manager picked up the paychecks but the timekeeper sorted the checks and distributed them to the district chiefs. Fire responded “AFD has identified an employee other than the timekeeper to sort and deliver the checks to the field chiefs, who will distribute them to the personnel.”

RECOMMENDATION

Fire should assign an employee who does not have data entry capabilities to review and approve payroll.

Fire should ensure the timekeeper does not have access to payroll checks.

EXECUTIVE RESPONSE FROM FIRE

“AFD agrees. The fiscal supervisor has reassigned duties. The timekeepers enter exceptions from TeleStaff into EmPath. The supervisor now reviews payroll entries, and if an error is discovered, the timekeeper makes the correction. The supervisor then verifies that the correction was entered properly. The supervisor also checks and distributes paychecks, performs special pay audits and prepares sick leave usage reports.”

5. FIRE SHOULD ENSURE THAT TEMPORARY UPGRADES ARE MADE IN ACCORDANCE WITH CITY POLICIES.

Fire has a requirement that certain ranks are filled at all time. Therefore, when an employee is on leave status, the employee in the rank below is upgraded to cover the position. This creates a domino effect because all positions at ranks below the employee on leave must be upgraded. The Union Contract states “All members will accept upgrade to the next rank when directed, unless they have submitted a letter of refusal to act to the Fire Chief or designee . . . It is understood that members who refuse to act within one year prior to a promotional exam will not be eligible to participate in the promotional process. It is also understood that members on promotional lists will be directed to act and may be required to float to upgrade.”

The City’s automated payroll system Pay Detail Reports for Fire showed temporary upgrades of 198,141 hours between January 1, 2002 and December 31, 2002. There were no approved temporary upgrade forms on file for these hours. Employees were not limited in their upgrade hours, and Fire management was not aware there was a limitation on upgrade hours.

Below are four examples of employees who had been on upgrade status for calendar year 2002:

- A Paramedic Captain was paid \$25,168 for 950 upgrade hours. Per a Payroll Correction Request in the employee file, as of pay period ending July 26, 2002, the employee is on constant upgrade. There was no upgrade form completed and approved in the file for this employee.
- A single Firefighter was paid \$36,973 for 2,408 upgrade hours. The employee received temporary upgrade pay for 24 of the 26 pay periods in 2002, and in only two pay periods did the employee have some regular hours.
- Another Firefighter was paid \$32,124 for 2,510 upgrade hours. The employee received temporary upgrade pay during 25 of the 26 pay periods in 2002.
- A Para Lieutenant was paid \$19,940 for 1,179 upgrade hours.

City Personnel Rules and Regulations, 702.3, states “The maximum length of time an employee may be upgraded is 160 hours per position, per fiscal year. The number of hours may be extended with the approval of the Employee Relations Office.” City Personnel Rules and Regulations 702.2 states “Employees covered under a collective bargaining agreement are eligible for payroll upgrading as stipulated in the agreement. The Employee Relations Office must approve payroll upgrades into positions where a vacancy does not exist.”

The Albuquerque Fire Fighters Union Contract states, “Temporary upgrades for Commanders shall be made in accordance with Section 702.1 of the Personnel Rules and Regulations.” Section 702.1 states, “Management series employees may be upgraded to cover a higher position that has been vacant or where the incumbent has been absent from the position for a minimum of forty-five (45) workdays up to a maximum of six (6) months unless otherwise approved by the Chief Administrative Officer.” The Union Contract does not address the maximum length of time for upgrade of collective bargaining employees.

Fire did not receive approval from the Employee Relations Office to extend the hour limitation for its upgraded employees. Fire is violating City Rules and Regulations by allowing individual Fire employees to receive more than 160 hours of upgrade per year.

It is regular practice within Fire for employees to utilize accrued vacation leave prior to retiring without going into early retirement status. This practice results in an increase in employees on upgrade status to fill in for retiring employees.

Personnel costs, including payroll costs, benefits, and payroll taxes all increase when upgrade hours are not monitored and limited.

RECOMMENDATION

Fire should follow upgrade policies established by the City. Fire should develop procedures that ensure upgrades do not exceed 160 hours per year/position, unless proper approval for an extension is obtained.

Fire should ensure that temporary upgrades are properly justified, documented and approved.

EXECUTIVE RESPONSE FROM FIRE

“Labor relations contracts generally supersede City Personnel Rules and Regulations. The audit finding that AFD should ensure compliance of temporarily upgrades with City policy is directly impacted by the contract between AFD and the IAFF local. The current union contract expires June 30, 2006. We propose to include language to specifically exempt AFD sworn members from this requirement during the next union contract negotiation because it is not consistent with AFD’s mission-specific staffing needs.”

“On an average shift, the Department works about thirty upgrades. The TeleStaff system both justifies and documents each temporary upgrade. The recommendation that the Department routinely include hardcopy documentation for each upgrade would require a significant effort in both generating and storing records, and would be duplicative. The Department intends to request a waiver of this requirement from DFAS.”

6. FIRE SHOULD PROPERLY CODE TO THE CITY’S AUTOMATED PAYROLL SYSTEM THE FOLLOWING PAYCODES: OPA (OTHER PAID ABSENCE), COMP TIME, WORK OFF SITE.

Fire does not correctly enter all hours into the City’s automated payroll system for an employee who is on paid leave. If these hours are correctly entered into the City’s automated payroll system, employees may become ineligible to receive FLSA overtime.

Firefighters and drivers are eligible for an FLSA Overtime Adjustment based upon a 24-day period including ten hours of overtime. These employees are paid regular pay for these ten hours of overtime plus an extra 75% of the employee’s pay rate. Any paid leave during the 24-day period which includes vacation, sick, military, workers compensation, on-the-job injury, jury duty, other paid absences (voting, blood donation, educational leave, hardship leave), and comp time reduces the ten hours of overtime pay and would affect the FLSA overtime adjustment payments to firefighters and drivers. If paid leave is not properly entered, the employee will be overpaid.

The City's automated payroll system is not programmed to deduct comp time when computing the FLSA overtime adjustment. DFAS agreed that comp time must be considered for the FLSA overtime adjustment. DFAS has not changed the City's automated payroll system to deduct the comp time.

For the period November 30, 2002 through December 23, 2002, seven employees out of 172 incorrectly received the FLSA overtime adjustment when they also had taken comp time.

Another code which Fire does not properly enter into the City's automated payroll system is work off site (which includes in-town training or out-of-town work/training). While this code does not affect the FLSA overtime adjustment, tracking of this time should still be done.

Correct coding of other paid absences is a repeat finding from Audit No. 97-113 Payroll Audit-Suppression Division, Albuquerque Fire Department, issued January 23, 1997. The audit recommended, "AFD should ensure that other hours are correctly coded in the payroll system." The Executive Response from AFD was ". . . this was an isolated instance and AFD will ensure that this will not reoccur in the future."

City 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." The City requires that all employees document paid leave.

RECOMMENDATION

Fire should recompute FLSA overtime adjustment payments and collect overpayments from employees.

Fire should enter into the City's automated payroll system all hours that an employee is on paid leave. This includes other paid absence (voting, blood donation, educational leave, and hardship leave), comp time and work off site.

DFAS should make changes to the City's automated payroll system to deduct comp time when computing the FLSA Overtime Adjustment.

EXECUTIVE RESPONSE FROM FIRE

"AFD respectfully disagrees with the recommendation that AFD should re-compute FLSA overtime adjustments or enter Comp Time into the City's automated payroll system. It remains our position that the existing system has been in practice and has functioned well for a

number of years. We maintain the AFD response to a similar recommendation, as referenced in Audit 96-101: “The present method for compensation averaging has been an accepted and workable method of operation... This was verified when the department’s compensatory practices went under very intense scrutiny during the implementation of FLSA overtime practices in 1989 and were found to be legally complaint...”.

“Other Paid Absences (OPA) and Work Offsite (WOS) codes are now entered into EmPath.”

EXECUTIVE RESPONSE FROM DFAS

“DFAS agrees. The payroll system that the City currently uses is limited to 300 pay slots. Currently there are not enough slots to program the recommendation. The Fire Department is currently making the calculation off system. This issue is to be addressed with the implementation of the ERP payroll system tentatively scheduled for conversion December 2006.”

7. FIRE SHOULD ROUTINELY REVIEW PAYROLL OVERRIDE REPORTS.

Individual payroll costs are charged to a specific cost center based upon the assigned pay unit. However, the system allows these charges to be overridden and charged to a different cost center.

Fire does not routinely review its general ledger override report. Approximately 15% of its full time employees have activity accounts that are overridden. Upon review the following overrides were noted:

- One (1) new cadet had an override to the Public Works Department.
- Four (4) headquarters management employees had overrides to four Fire Stations.
- Seventy-four (74) employees had overrides back to either the same Fire cost centers or a general Fire cost center.

Without a regular review, Fire cannot be certain that the overrides that exist are appropriate. If the overrides are set up as a way to change the charge for salaries for a temporary assignment, an end date should be established for the override.

RECOMMENDATION

Fire should review payroll cost center overrides on a regular basis to ensure that the existing overrides are appropriate.

EXECUTIVE RESPONSE FROM FIRE

“The transition from ROSS to the EmPath system eliminated the payroll override report; however, correspondence from City payroll indicates that this report will be re-written in the future. The Department will conduct a review of the cost center overrides that were in place (in ROSS) at the time of the conversion, and will make any necessary changes. The Department will additionally include a monthly review when the report becomes available in EmPath.”

8. FIRE SHOULD ENSURE THAT EMPLOYEES ON EARLY RETIREMENT DO NOT RECEIVE SALARY ADD-ONS AND INCENTIVE PAYS.

We performed a review of 20 Fire employees whose date of termination was January 1, 2003 through October 1, 2003 and were paid Early Retirement. These employees were paid sick or vacation Early Retirement anywhere from 3 calendar days to 270 calendar days.

City Personnel Rules and Regulations 403.10 Early Retirement states:

Immediately prior to retirement from active service with the City of Albuquerque an employee may take leave with pay equivalent to the amount of sick and vacation leave the employee has accumulated. Employees who are eligible for retirement and are under the provisions of a collective bargaining agreement will be governed by the provision of that agreement.

Employees in Early Retirement are not entitled to salary increases afforded other City employees.

Employees in Early Retirement are entitled to all benefits except vacation and sick leave accruals, donated leave and hardship leave.

Of the 20 employees tested, several employees who were in Early Retirement were paid other incentive pays in addition to their regular bi-weekly salaries. These other incentive pays included the following:

- One of the employees received a clothing allowance of \$23.08 for the 17 pay periods while he was in Early Retirement.
- One employee received bilingual pay (paid \$20 per month to a maximum 100 firefighters who demonstrate an acceptable level of conversational proficiency)
- One employee received academic incentive pay (\$1 per month for each credit hour from an accredited college or university for entire career with Fire and during Early Retirement)

- One employee received assignment differential pay (licensed paramedics receive an extra \$.75 per hour)
- One employee received alarm pay (extra \$50 for non-field position with a work week less than 56 hours)
- Three employees received FLSA (10 hours built in overtime)

There is no City policy or procedure that addresses what incentives employees can continue receive when they are on Early Retirement. The purpose of these incentives such as uniform allowance is to provide on-the-job clothing. If you are not on the job, you should not receive a clothing allowance.

The Union Contract, Section 6. Unused Sick Leave and Vacation Upon Separation states, “At the time of retirement bargaining unit members may convert accumulated sick and vacation to early retirement leave or be compensated in cash at their regular rate of pay.” It also states, “Early retirement shall be taken on an hour for hour basis.” This is the extent of discussion of early retirement within the contract.

The reason that incentives are paid to employees is to compensate them for additional efforts or skills. If the City is no longer receiving the additional benefits, it should no longer be paying employees for them.

RECOMMENDATION

Fire should ensure that employees on Early Retirement do not receive salary add-ons and incentive pays.

EXECUTIVE RESPONSE FROM FIRE

***“The audit recommendation that AFD employees on early retirement not receive salary add-ons and incentive pay is under review. While there is no contractual union provision that imposes the need to maintain incentive pay for those on early retirement, it has been an historical practice. The Department will promptly begin a review of other salary add-ons to determine the propriety of pay and/or benefits as applicable for work actually performed.*”**

***“Clothing allowances are no longer paid to any uniformed members, up to and including the rank of Commander. All uniforms are now being provided by the Department, according to the union contract.”*”**

9. FIRE SHOULD IMPLEMENT A POLICY WHEREBY EMPLOYEES WHO ARE RETIRING CANNOT UTILIZE VACATION AND SICK LEAVE AS A PRE-RETIREMENT BENEFIT.

Fire employees utilize accrued vacation leave prior to retiring without going into Early Retirement status. The benefit of taking accrued vacation leave or sick leave prior to retiring versus going on Early Retirement includes the continued accrual of vacation and sick leave. A review was performed of 20 Fire employees who retired and had a date of termination from January 1, 2003 through October 1, 2003. There were two employees who prior to retirement in 2003 used excessive vacation and sick leave in calendar year 2002.

- One employee was paid for 794 vacation hours and 378 sick leave hours taken during 2002. P-30s were not on file for any of this vacation or sick leave.
- Another employee had 635.4 paid vacation hours and 535.6 paid sick leave hours. P-30s were not on file for the vacation hours and many of the P-30s were incomplete for the sick leave hours.

Administrative Instruction No. 7-6 states, “Approval for leave of any type must be obtained from the department director or designated representative.” In addition it states, “Vacation Leave must be requested in advance. Sick Leave (Personal Absence) is to be used for illness and/or routine medical appointments.” When an employee submits a P-30 for sick leave or vacation, the employee must sign the employee certification that states “I fully understand that any false claim for leave constitutes grounds for disciplinary action under the law.”

A Fire official stated that the only cap for vacation leave is that a maximum of 16 employees can be on vacation per shift, that there are 16 vacation slots per shift. The Fire official stated that if employees have vacation time accrued, the employee can schedule it per the guidelines in Union Contract which is by rank and seniority and that there is not a cap of how much vacation they can take. The Fire official also acknowledged that employees taking large amounts of vacation time are employees ready to retire. The Union Contract states, “It is recognized that the abuse or unjustified over utilization of sick leave is not in the best interest of either party.”

There is no limit to vacation hours taken by Fire employees; however, excessive vacation may cause higher payroll expenditures such as upgrade costs. Fire has a requirement that certain ranks are filled at all time. Therefore, when an employee is on leave status, the employee in the rank below is upgraded to cover the position. This creates a domino effect because all positions at ranks below the employee on leave must be upgraded.

RECOMMENDATION

Fire should ensure that employees who are retiring cannot utilize vacation and sick leave as a pre-retirement benefit.

Fire should develop procedures to ensure P-30s are complete, accurate, and turned in on a timely basis.

Fire should ensure that sick leave is utilized as City Administrative Instruction No. 7-6 states, "Sick Leave (Personal Absence) is to be used for illness and/or routine medical appointments."

Fire should remind employees that when an employee submits a Request for Sick Leave Form P-30, the employee must sign the Employee Certification that states "I fully understand that any false claim for leave constitutes grounds for disciplinary action under the law."

EXECUTIVE RESPONSE FROM FIRE

"AFD management is both aware of and concerned by the practice of some retiring employees who are using vacation and/or sick leave as pre-retirement benefits. The Department has implemented a comprehensive sick leave management plan that addresses any sick leave that is taken over an employee's allowable usage percentage. Vacation bids are awarded twice annually on the basis of seniority. All employees are eligible for the bid process, and vacation is awarded as long as their vacation accruals are sufficient to cover their vacation requests. The vacation and/or sick leave usage by retiring employees will be discussed in the next union negotiation to address this issue."

10. FIRE SHOULD ENSURE EMPLOYMENT OUTSIDE OF THE CITY OF ALBUQUERQUE FORMS ARE COMPLETE AND ON FILE.

Fire does not obtain and retain Request For Permission to Engage in Employment Outside the City of Albuquerque (Request for Outside Employment) forms as required by the City. In March 2003, the last request on file for outside employment forms was for 2002. Absent the review and approval process of the Request for Outside Employment forms, there is potential for conflicts of interest.

The City Personnel Rules and Regulations Section 310 states, "All employees must obtain the written permission of the department director and concurrence of the Human Resources Director allowing them to engage in outside employment." Section 310.2 states, "Outside employment may be authorized for a period up to one (1) year and must be approved on a year-to-year basis. Requests must be submitted prior to engaging in outside employment and renewed in January of each year. Employees approved for

outside employment may not work more than a total of sixty (60) hours per week for City service and outside employment combined.”

The Union Contract Section 39 states, “All members covered by this Agreement shall abide by the Personnel Rules and Regulations regarding outside employment.”

Per the Union Contract, the work schedules for the Fire Department will consist of: a 56-hour work week cycle, a 42-hour work week cycle, or a 40-hour work week cycle. With a 60 hour per week limitation for City service and outside employment, violations could occur if a Fire employee who works 56 hours per week is also engaged in outside employment for more than four (4) hours per week. The Request for Outside Employment form, in part states, 1.B) “The maximum amount of time which can be devoted to outside employment is twenty (20) hours per calendar week.” There is inconsistent language in these two City documents whereby the Request for Outside Employment form assumes a 40 hour work week. However, Fire has varying work week hours including 40, 42, and 56 hour work weeks so these two rules would cause conflicting results in total hours per week for employment.

In addition, the regulation is not clear whether an outside employment form is required if employees work for themselves or own outside businesses.

RECOMMENDATION

Fire should enforce compliance with the City’s Personnel Rules and Regulations regarding outside employment.

Fire should follow up to ensure that each employee who is engaged in outside employment has submitted a Request for Outside Employment form to Fire Administration and to HRD as required and that proper authorization is obtained.

HRD should clarify the language in the Union Contract, the Personnel Rules and Regulations, and the Request for Outside Employment Form regarding limitations on the number of hours to be worked per week.

HRD should clarify the requirements for Request for Outside Employment form when employees also work for themselves or own outside businesses.

EXECUTIVE RESPONSE FROM FIRE

“Annually, a form will be distributed to all AFD employees requiring their signature to state whether or not they engage in outside employment. If an employee states they are working outside the City, they will be required to complete a P-3 form (Request to Engage in Outside Employment).”

EXECUTIVE RESPONSE FROM HRD

“HRD agrees that the Personnel Rules & Regulations and the Request for Outside Employment Form should be clarified to address schedules that are not based on the traditional forty-hour workweek, such as those worked at AFD. Since the union contract states “All members covered by this agreement shall abide by the Personnel Rules and Regulations regarding outside employment,” and “For the purpose of this section, Personnel Rules and Regulations shall mean those in effect on the effective date of this contract,” HRD Employee Relations will work with IAFF Local 244 to develop an interim agreement (memorandum of understanding) providing for revisions to PR&R section 310.2 for the term of the current contract, which expires June 30, 2006.

“HRD concurs that the Request for Outside Employment Form should include language that clarifies self-employment.”

11. FIRE SHOULD ENSURE INSURANCE INFORMATION IS ON FILE FOR MILEAGE REIMBURSEMENT.

The Chief Administrative Officer’s Risk Management Manual Section 7.50 states, “Employee’s who utilize their personal vehicle for City business will be reimbursed for mileage upon submitting both a properly approved request for reimbursement and a copy of proof of insurance for the vehicle driven. Proof of insurance shall be a copy of either the declarations page of the insurance policy or a copy of the insurance card carried in the vehicle.”

Fire does not require proof of insurance for employees who receive mileage reimbursement. Without proof of insurance there is a potential liability exposure to the City should employees be injured while performing City business.

RECOMMENDATION

Fire should require employees who receive mileage reimbursement to provide proof of insurance annually, at a minimum, or as the policy renews.

EXECUTIVE RESPONSE FROM FIRE

“AFD will initiate a policy that requires all personnel to provide a copy of their proof of insurance annually, at a minimum, or as their respective policies renew. The requirement will be implemented to coincide with annual vacation bids. Random “spot checks” will be done throughout the year, during the mandatory EMT refresher course.”

12. FIRE SHOULD CONSIDER ADDING ANOTHER TIMEKEEPER(S).

A survey of Departments within the City was conducted that estimated:

- the percentage of time spent on payroll by department employees,
- the full time equivalent (FTE) for the time spent on payroll,
- and the total number of employees in the division and/or department for these FTEs.

For the departments who participated in the survey, the average number of employees per timekeeper was 183.

Fire has one timekeeper inputting payroll entries for 600 employees, which may be causing payroll errors. In addition the payroll supervisor does not verify the accuracy of the payroll entries. Errors are caught and corrected when employees call with questions or problems with a paycheck.

RECOMMENDATION

Fire should consider adding another timekeeper(s).

EXECUTIVE RESPONSE FROM FIRE

“A new timekeeper was added to the staff in May 2004, to make the number of employees per timekeeper approximately 300, which was still above the 200 average; therefore, an additional timekeeper will be requested in the FY/07 budget in order to meet the average per timekeeper.”

13. DFAS SHOULD DOCUMENT PERSONNEL PAYROLL USER GROUP (PPUG) MEETINGS.

Quarterly Personnel Payroll User Group (PPUG) meetings inform timekeepers of new payroll information, payroll updates, or changes in payroll procedures. DFAS does not document the minutes of the PPUG meetings for future reference.

If the official procedures discussed and distributed at PPUG meetings are not documented, timekeepers and other employees do not have a permanent resource. Timekeepers who are hired after a topic is discussed at a PPUG meeting will be operating with incomplete information.

RECOMMENDATION

DFAS should document items discussed at PPUG meetings.

DFAS should consider developing a payroll policy manual that includes all payroll policies.

EXECUTIVE RESPONSE FROM DFAS

“DFAS agrees with the recommendation. There is a printed agenda for each Payroll User Group (PUG) meeting. Additionally participants are requested to sign in and these will be kept. The frequency of these meeting is bi-monthly.

“DFAS will be developing a Payroll Policies Manual. This is anticipated to be done by June 2006. Questions about the system are answered through an on-line help facility which is currently in production.”

14. MISCELLANEOUS

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

- A. To assist in its complicated staffing and scheduling, Fire utilizes a program called Telestaff in addition to the City’s automated payroll system. Telestaff and the City’s automated payroll system assigns employees a pre-defined work schedule and then brings across to a timesheet standard work schedule information including the number of hours worked each day and scheduled days off. These standard schedules can then be changed to reflect any exceptions to the employee’s standard work schedule. As an exception to the regular work schedule occurs, this exception must be input into both the Telestaff and the City’s automated payroll system. As of December 2003, there were 24 employees who had access to the Telestaff system.

If an exception entry is made to Telestaff during the 24 hour time period and afterwards during the same twenty-four hour time period this same exception entry is deleted, the exception entry will disappear without any trail. At midnight when the 24 hour time period closes for the Telestaff system, any changes made after that time period will be recorded with the change and the name of the person attached to the change. It is recommended to have the software company set up the Telestaff system to have a trail of all entries made including the initial 24-hour period.

- B. When the personnel files were reviewed in February 2003, P-30s for one division had not been filed for one year. Also filing for all divisions had not been done for four months. This included payroll adjustments, sick leave conversions, and other

miscellaneous filing. Since Fire has not sent its timesheets and exception reports to the City's Record Center for storage and the filing of other payroll documents is not kept current, Fire could have difficulty retrieving payroll records for litigation within requested time limits.

- C. Fire does not send its payroll timesheets and Telestaff Exceptions Reports to the Records Center for historical scanning and storage. In 1992, the City developed Records Retention and Disposition Schedules. These schedules were developed to meet the specific minimum bookkeeping, auditing, legal and historical needs of the City. For consistency, historical filming/scanning and storage, DFAS should consider developing a policy for all departments to send their payroll records to the Records Center.
- D. Within the sample of employees reviewed, there were employees who were accruing comp time on one day and then taking comp time off the following day. In another example it was accrued one day and then taken five days later. In both these situations it was within the same pay period. The Union Contract, which is representative for all sworn, permanent, non-probationary safety sensitive fire fighters through the rank of Commander, addresses comp time as follows. "Comp time will be earned at the rate of 1.5 hours of Comp time for each 1.0 hour worked. Comp time once earned will be taken following the same procedures for taking leave(s)." The Fire Chief's Executive Directives Standard Operating Guidelines addresses flex time for nonexempt civilian personnel. Flex time provides "non exempt personnel the opportunity to attend to personal matters that may arise without having to utilize vacation or other leave. . . All flex time used must be made up during the same one-week pay period." It appears that accruing comp time one day and the taking comp time off the following day is actually flexing. By classifying these hours as comp time Fire is giving employees extra hours.
- E. Each division manager at Fire maintains a manual compensatory leave log which tracks the date, purpose, authorization, time accrued, time used, and balance of each employees comp time. As of 2003, division managers are also responsible for entering comp time into Telestaff. Two employees' comp logs were reviewed for recordkeeping purposes. Both logs had computation and addition errors in the comp hours accrued, comp hours used, and the balance forward. Other items missing were authorizations and purpose for the comp time. One of the employees comp time register's last entry was on October 9, 2002 and the employee had a balance of 22.5 hours available of comp time. Per the Union Contract, comp time must be used within 180 days from the time it is earned. This comp time was earned at least one year (365 days) earlier and had not been used. Fire should develop supervisory, recording and tracking procedures for comp time.

- F. The Firefighters Union Contract provides for uniforms but does not address a clothing allowance. For the time period audited, 17 current Fire employees plus one employee on Early Retirement all received a biweekly clothing allowance. Fire should determine if the clothing allowance is allowable under the Union Contract.

CONCLUSION

Fire should improve its payroll processing and supervisory review procedures. Fire should ensure that employees submit complete and accurate payroll forms. Fire should also ensure the accuracy of payroll entries and payment to employees including compliance with applicable City policies, FLSA rules and the Union contract.

By implementing the above recommendations, the Albuquerque Fire Department 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 Albuquerque Fire Department during this audit.

Principal Auditor

REVIEWED and APPROVED:

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PAYROLL AUDIT REPORT

OF THE

ALBUQUERQUE FIRE DEPARTMENT

REPORT NO. 02-121



**CITY OF ALBUQUERQUE
OFFICE OF INTERNAL AUDIT AND INVESTIGATIONS**