

# **Audit Follow-up**

**As of March 31, 2013**



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Interim City Auditor

## **Audit of Selected Departments' Leave and Attendance Processes and Transactions**

**(Report #1218 issued September 5, 2012)**

**Report #1317**

**May 31, 2013**

### **Summary**

This is the first follow-up on the Audit of Selected Departments' Leave and Attendance Processes and Transactions, Report #1218, issued September 5, 2012. During the original audit, we noted that overall, recorded leave and attendance transactions tested were materially accurate. However, we did note several instances of noncompliance with City policies; most of which had no monetary impact. Management developed 16 action plan steps to address the report recommendations. Fourteen of the 16 action plan steps were due to be completed as of March 31, 2013. Ten of the 14 steps (71%) due have been completed and four steps are in progress.

The ten completed steps include:

- 1) Payroll and PRNA developed new pay codes to pay lifeguards approved differential rates.
- 2) Payroll developed a query to enable timekeepers to monitor employees with negative leave balances. Additionally, Payroll has been sending notices reminding timekeepers to monitor their employees' leave balances (this addresses two action plan steps).
- 3) Hilaman Golf Course (Hilaman) and three departments, Electric Utility (Electric); Public Works; and Parks, Recreation, and Neighborhood Affairs (PRNA) implemented processes to prevent employees from having negative leave balances.
- 4) Human Resources revised Personnel Policy Section 704.06 "Compensation On-Call Time and Call-Back Pay" to clarify when employees are eligible for on-call duty pay.
- 5) Hilaman implemented new timesheets with

automated calculations and our testing results showed supervisors are taking more care to ensure employees are paid the correct amount (this relates to two action plan steps).

- 6) Electric worked with the Department of Management and Administration (DMA) Payroll Division to implement a new leave code in the City's timekeeping system to accurately report when "rest time" leave is utilized.
- 7) DMA Payroll Division implemented system access controls to prevent timekeepers from entering their own leave and attendance transactions.
- 8) DMA Budget Office corrected the cost center assignment for the golf courses from PRNA to Utility Business and Customer Services (UBCS). This will assist Payroll in ensuring only UBCS timekeepers have access to leave and attendance records for golf course employees, since the golf courses are now organizationally housed in UBCS.

The four steps in progress include:

- 1) Ensuring employees sign their own name on timesheets asserting to the accuracy of recorded time worked and leave taken. Our limited testing during this follow-up period showed that Electric, Public Works, and PRNA completed this step; Hilaman's efforts are in progress.
- 2) Ensuring supervisors consistently review and approve employee timesheets indicating they concur with the employee's assertions of time worked and leave taken. Our limited testing during this follow-up period showed that Electric and Hilaman completed this step; Public Works and PRNA's efforts are in progress.
- 3) Ensuring the new timekeeping system the City

acquires has the capability of preventing leave entries when there are not adequate leave balances so that negative leave balances will not occur. The new system has not yet been purchased, but DMA management reports that the timekeeping system being considered has the capability of preventing negative leave balances and DMA intends to implement this control.

- 4) Resolving the overpayment issue at Hilaman related to the incorrect payout of compensatory time. Human Resources is continuing to work with UBCS to resolve this issue.

Table 1, beginning on page 4, provides additional details about the status of each of these 14 action plan steps.

We appreciate the cooperation and assistance provided by key City staff during this audit follow-up, especially in DMA, Electric, PRNA, Public Works, Hilaman, and UBCS.

**Scope, Objectives, and Methodology**

We conducted this audit follow-up in accordance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require we plan and perform the audit follow-up to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit follow-up objectives.

**Original Report #1218**

The scope of report #1218 was to evaluate the internal controls related to leave and attendance processes for three selected City departments (Electric; Public Works; and Parks, Recreation, and Neighborhood Affairs or PRNA) and one division (Hilaman Golf Course).

Specifically, our objectives were to determine whether:

- 1) Leave and attendance processes and recorded transactions complied with governing laws, rules, and policies and procedures; and
- 2) Transactions were recorded accurately in the City’s financial and human resources records.

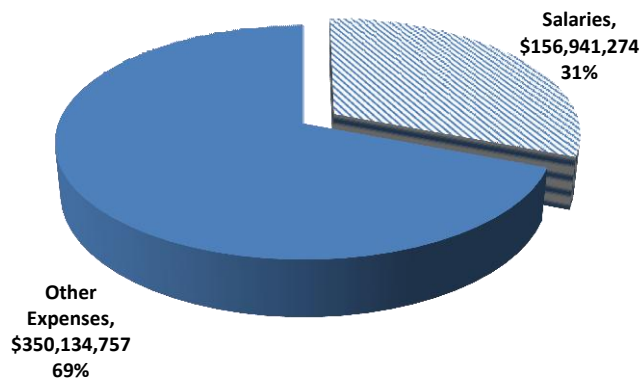
**Report #1317**

This is our first follow-up on action plan steps identified in audit report #1218. The purpose of this follow-up audit is to report on the progress and status of efforts to complete action plan steps due for completion as of March 31, 2013. To determine the status of the action plan steps, we inquired of and interviewed staff, reviewed relevant documentation, and conducted limited detailed testing of timesheets to assess the accuracy of timesheets and determine if processes were put in place to ensure compliance with policies that had been violated during the original audit.

**Background**

The City of Tallahassee (City) is a full-service city providing a variety of services to its citizens, including police and fire services; public transportation, including a regional airport and bus transit system; public works and services; electric generation, transmission, and distribution; natural gas distribution; water production and distribution; sewer collection and treatment; stormwater/flood control; planning; building permitting; and other community services, such as parks and recreation, and economic and community development. In fiscal year 2011, the City employed 2,846 full-time equivalent (FTE) employees. Salaries and wages made up 31% of the City’s 2011 operating expenditures, excluding fuel costs, allocated costs, and contributions to other funds (\$157 million of \$507 million).

**Figure 1**  
**FY 2011 Salaries and Wages of the City’s Expenditures**



Source: FY 2011 City Financial System Accounting Reports

Among the over 2,800 FTEs in the City, there are a variety of position classifications eligible for assorted compensation and leave benefits and an assortment of laws, rules, and policies and procedures related to pay for employees’ attendance (time at work), leave, and retention of compensation-related documentation. Examples of such laws and policies include:

- Fair Labor Standards Act
- Florida Statutes Chapter 440, “Workers’ Compensation Insurance Law”
- Florida General Records Schedule GS1-SL
- City Personnel Policy Chapter 706, “Working Conditions”
- City Personnel Policy Chapter 704, “Compensation”
- City Personnel Policy Chapter 703, “Temporary Employment”
- City Personnel Policy Chapter 708, “Types of Leave”
- City Administrative Policy and Procedures 630, “Internal Controls”
- Electric Utility Operations Employee Fatigue/Rest Time Policy

Leave and attendance encompasses the development and management of human resources policies and procedures, employees performing work and taking leave, and entry of type and amount of work performed and leave taken for each employee into the

City’s timekeeping system. This information is then used in the preparation and disbursement of payroll to employees. These duties are performed in different departments and divisions throughout the City, starting with employees working (or taking leave), through the distribution of payroll.

The development and management of human resources policies and procedures are centralized within the City’s Human Resources Division, located in the Department of Management and Administration (DMA). This division is responsible for providing comprehensive human resource services including personnel management, classification and pay, benefits administration, labor relations, safety, employee data in the Human Resource Management System (HRMS), human resource policy and procedures and training, and organizational development and strategic planning support.

Every week employees are required to record and verify the type and number of hours worked and leave taken on a timesheet. The timesheet can be on paper or in an automated timesheet recording system. At this time, none of the automated timesheet recording systems interface to the City’s timekeeping system. The recording of employees’ leave and attendance transactions into the City’s timekeeping system is performed by designated timekeepers within departments and divisions.

Individual departments or divisions are responsible for the accuracy of recording leave and attendance information for each employee in their respective departments or divisions. The City has developed and implemented a timekeeping system that interfaces with its HRMS and Financials system. Designated staff in each department or division, called timekeepers, is given access into the timekeeping system to input leave taken and the amount and type of time worked for each employee within their department or division on a weekly basis.

The Accounting Services Payroll Division is responsible for collecting all the leave and attendance information and preparing accurate and timely payment of salaries to all employees on a bi-weekly basis, either through direct deposits transferred electronically to banks or paper checks.

**Previous Conditions and Current Status**

In report #1218, we provided recommendations to City management related to areas that need to be

addressed related to the management of leave and attendance. To address our recommendations, City management developed an Action Plan consisting of 16 action plan steps, 14 being due for completion by March 31, 2013. The status of the 14 action plan steps due is provided in Table 1 below.

**Table 1  
Action Plan Steps from Audit Report #1218  
Due as of March 31, 2013, and Current Status**

Action Plan Steps Due as of March 31, 2013	Current Status
<i>To improve compliance with governing laws, rules, and policies and procedures.</i>	
<ul style="list-style-type: none"> <li>Each of the audited four areas (Electric, Public Works, PRNA, and Hilaman Golf Course) to ensure employees sign their own name on timesheets asserting to the accuracy of recorded time worked and leave taken. [Report #1218 Action Plan Step A.2]</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed for Electric, Public Works, and PRNA.</b></li> <li>◆ <b>In Progress for Hilaman Golf Course.</b> We performed limited testing of randomly selected employees’ timesheets in each of the four areas during the follow-up period (October 2012 through March 2013) to ensure employees were signing their timesheets and that the timesheets supported the hours for which employees were paid.  We noted no exceptions on 14 Electric timesheets, 10 Public Works timesheets, and 10 PRNA timesheets. On two of eight timesheets tested at Hilaman, we noted part-time employees were not consistently signing timesheets as assertions of the accuracy of the recorded time worked. We will perform additional testing at Hilaman during the next follow-up period ending September 30, 2013, to determine if adequate controls have been implemented.</li> </ul>
<ul style="list-style-type: none"> <li>Each of the four audited areas to ensure supervisors consistently review and approve employee timesheets indicating they concur with employee assertions of time worked and leave taken. [Report #1218 Action Plan Step A.3]</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed for Electric and Hilaman Golf Course</b></li> <li>◆ <b>In Progress for Public Works and PRNA.</b> We performed limited testing of randomly selected employee timesheets in each of the four areas during the follow-up period (October 2012 through March 2013) to ensure supervisors were reviewing the employee timesheets. Evidence of such reviews is supported by supervisors signing employee timesheets.  We noted no exceptions on 14 Electric timesheets and eight Hilaman Golf Course timesheets. On two of 10 Public Works timesheets, a supervisor’s signature was stamped on employee timesheets by</li> </ul>

	<p>another employee to indicate the supervisor’s approval. Such practice does not provide adequate evidence that the supervisor has reviewed and approved the employee timesheets. <i>[Public Works management has ended use of the stamped signature.]</i> On one of 10 PRNA timesheets, there was no evidence to support supervisory approval. We will perform additional testing at those departments during the next follow-up period ending September 30, 2013, to determine if adequate controls have been implemented.</p>
<ul style="list-style-type: none"> <li>• PRNA work with Human Resources and Payroll to define a new pay code to pay lifeguards the appropriate rate of pay for the actual number of hours they work. <i>[Report #1218 Action Plan Step A.4]</i></li> </ul>	<p>✓ <b>Completed.</b> PRNA worked with Payroll and implemented five new pay codes to reflect the shift differential for lifeguards.</p>
<ul style="list-style-type: none"> <li>• Payroll notify either the department director or immediate supervisor of the employees with negative leave balances in their department for them to address and prevent from reoccurring. <i>[Report #1218 Action Plan Step A.5]</i></li> </ul>	<p>✓ <b>Completed.</b> DMA developed a query to enable timekeepers to monitor for employee negative leave balances.</p> <p><u>Audit Comment:</u> We noted that Payroll sent out periodic notices to remind timekeepers of the query and its use. Timekeepers are responsible for communicating negative leave balance issues with their department directors and supervisors. During this follow-up period, we reviewed a current listing of 20 employees from seven departments with negative leave balances and inquired of each department about their processes to address negative leave balances. Six of the seven departments reported having processes in place to identify and address negative leave balances. We will perform additional testing in this area during the next follow-up period to determine if adequate controls have been implemented.</p>
<ul style="list-style-type: none"> <li>• Each department to implement a process to regularly check the leave balances for employees in their departments to prevent employees from having negative leave balances. <i>[Report #1218 Action Plan Step A.6]</i></li> </ul>	<p>✓ <b>Completed.</b> The four departments have implemented processes to review employees that have negative leave balances. Results of our follow-up testing in April 2013 showed that none of the four departments in our initial audit had employees with negative leave balances.</p>
<ul style="list-style-type: none"> <li>• DMA, during their evaluation of a new time and attendance system, ensure that the new system has the capability of preventing leave entries when there are not adequate leave balances so negative leave balances will not exist. <i>[Report #1218 Action Plan Step A.7]</i></li> </ul>	<p>♦ <b>In progress.</b> The new system has not been purchased, but DMA management reports that the timekeeping system being considered has the capability of preventing negative leave balances and DMA intends to implement this control. The anticipated completion date has been amended to June 30, 2014.</p>

<ul style="list-style-type: none"> <li>Human Resources revise policy to address instances when employees are eligible and not eligible for on-call duty pay, such as when employees are out on leave unless responding to emergency conditions. [Report #1218 Action Plan Step A.9]</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed.</b> In December 2012, Human Resources revised Personnel Policy 704.06 “Compensation On-Call Time and Call-Back Pay” to clarify that employees who are on personal or sick leave cannot, at the same time, be in On-Call status. The policy revisions also state employees on personal or sick leave should not be called back to work except in emergency situations.</li> </ul>
<p><i>To improve the accuracy of leave and attendance transactions.</i></p>	
<ul style="list-style-type: none"> <li>Hilaman management should consider utilizing a timesheet with existing calculations to assist staff and supervisors accurately calculate time worked. [Report #1218 Action Plan Step B.1]</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed.</b> Hilaman implemented a new Excel timesheet that automatically calculates number of hours worked based on work start and end times. Our limited testing performed during this follow-up period showed that the timesheet calculations were accurate.</li> </ul>
<ul style="list-style-type: none"> <li>Hilaman staff to take more care in calculating hours worked or implement a different method of recording time to ensure that employees are paid correct amounts. [Report #1218 Action Plan Step B.2]</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed.</b> See status provided above.</li> </ul>
<ul style="list-style-type: none"> <li>UBCS should work with Human Resources to resolve the overpayment issue related to the incorrect payout of compensatory time. [Report #1218 Action Plan Step B.3]</li> </ul>	<ul style="list-style-type: none"> <li>♦ <b>In progress.</b> DMA management reported that this step has not yet been resolved and has amended the anticipated completion date to June 30, 2013.</li> </ul>
<ul style="list-style-type: none"> <li>Electric to work with Payroll to implement a new leave code for reporting of “rest time.” [Report #1218 Action Plan Step B.4]</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed.</b> Earn code 309, “Postv-Rest Time” was made available to Electric in October 2012. As reported in the initial audit report, Electric’s “Fatigue Policy” allows employees to be paid up to eight hours of rest time before coming back to work when employees have been required to work 16 hours in a given 24-hour period. This is done to ensure a safe and productive working environment is maintained. We noted in our follow-up review that the new code was utilized during the last five months to record 224.5 hours for 30 Electric employees (valued at \$6,252).</li> </ul>
<p><i>To improve the internal controls related to recording time and attendance transactions.</i></p>	
<ul style="list-style-type: none"> <li>DMA/Payroll to implement system access controls to prevent timekeepers from entering their own leave and attendance transactions, or alternatively, implement compensating controls to adequately monitor leave and attendance transactions related to timekeepers. [Report #1218 Action Plan Step C.1]</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed.</b> DMA implemented access settings so that timekeepers could not input their own leave transactions, including prior period adjustments.</li> </ul>

<ul style="list-style-type: none"> <li>• Payroll to develop and make available a query for departments to monitor the leave balances of their employees to ensure that employees have leave balances before recording leave taken, or to enter leave without pay. [Report #1218 Action Plan Step C.2]</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed.</b> This was completed prior to the initial audit report. We noted during this follow-up period that the payroll supervisor has been sending periodic emails reminding timekeepers to monitor their employees' leave balances.</li> </ul>
<ul style="list-style-type: none"> <li>• The Budget Office and UBCS should work together to change the cost center for golf courses to the correct department. [Report #1218 Action Plan Step C.3]</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed.</b> This was completed as part of the Fiscal Year 2013 budget process.</li> </ul>

Table Legend:

- Issue to be addressed from the original audit

✓ Completed

◆ In progress

### Conclusion

As described above, 10 of the 14 action plan steps established to address issues identified in audit report #1218 and due to be completed as of March 31, 2013, were completed during this follow-up period.

The remaining four steps due to be completed are in progress and the anticipated completion dates were amended. These steps are related to:

- Ensuring employees sign their own name on timesheets asserting to the accuracy of recorded time worked and leave taken.
- Ensuring supervisors consistently review and approve employee timesheets indicating they concur with the employee's assertions of time worked and leave taken.
- Ensuring the new timekeeping system the City acquires has the capability of preventing leave entries when there are not adequate leave balances.
- Resolving the overpayment issue at Hilaman related to the incorrect payout of compensatory time.

We appreciate the cooperation and assistance provided by key City staff during this audit follow-up, especially in DMA, Electric, PRNA, Public Works, Hilaman, and UBCS.

### Appointed Official's Response

I am pleased to see that progress has been made in addressing the action plan items due for the follow-up report on the Audit of Selected Departments' Leave and Attendance Processes and Transactions. Out of the fourteen items due, staff has completed ten and the remaining four are currently in progress. The action steps that have been completed will continue to ensure that the city is in compliance with applicable rules and procedures, and that proper internal controls are in place as it relates to the recording of time and attendance transactions. Furthermore these changes will continue to improve the accuracy of leave and attendance transactions. I would like to thank the City Auditor and the departments involved in ensuring that the identified actions steps were completed within the established deadlines.

Copies of this audit follow-up #1317 or the original audit report #1218 may be obtained from the City Auditor's website (<http://talgov.com/auditing/index.cfm>) or via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (Office of the City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail ([auditors@talgov.com](mailto:auditors@talgov.com)).

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