



Council Auditor's Office

**Jacksonville Port Authority (JPA) Payroll Audit
Follow-up Report**

Report #766A

Released on: November 17, 2017

OFFICE OF THE COUNCIL AUDITOR
Suite 200, St. James Building



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Honorable Members of the City Council
City of Jacksonville

The purpose of this report is to document our follow-up review of past report #766, JPA Payroll Audit, to determine whether corrective action has been taken in response to our findings and recommendations. We are providing this special written report in accordance with Ordinance Code Section 102.102. This report does not represent an audit or attestation conducted pursuant to Government Auditing Standards.

We sent a follow-up letter to JPA's CFO inquiring as to the status of the original audit report recommendations. We reviewed the recommendations from our audit report, the auditees' responses to the recommendations, and the auditees' responses to our follow-up letter. We then performed limited testing on a judgmentally selected sample of findings to verify that our recommendations have been implemented as stated in the auditee's responses. The following is a brief summary of the results of our follow-up inquiry and testing.

Based on the responses received and our follow-up testing of a judgmentally selected sample, it appears that the responsible parties complied with our audit recommendations with the following exceptions outlined below. Here is a table detailing the original number of issues noted and how many have been resolved as of this follow-up.

Types of Issues	Original Number of Issues	Issues Cleared	Remaining Issues
Internal Control Weaknesses	2	1	1
Findings	1	1	0
Opportunities for Improvement	1	0	1
Total	4	2	2

Internal Control Weakness 2 * Lack of Written SOPs related to the Payroll Process *

During the original audit, we found that JPA's payroll SOPs were lacking in several areas, including:

- 1) The steps for reviewing employees' timecard information in the timekeeping system (e.g. minimum hours and manager approvals).
- 2) How to calculate and process retroactive pay and temporary salary increases.

- 3) How to process permanent salary increases, especially the calculation of adjustments for salary increases taking effect in the middle of the week.
- 4) How to compute and process the last paycheck of a terminated employee.
- 5) How to compute and process special payments and special deductions (e.g. auto and expense allowances, garnishments, etc.).

As such, we recommended that JPA create detailed, written operating procedures for all functions of payroll processing. JPA developed their SOPs in accordance with this recommendation with one exception. We found that there were no detailed, written operating procedures for how to compute and process the last paycheck of a terminated employee. JPA does have an employee termination checklist that identifies the essential activities when processing a terminated employee but this list lacks the explanations and details necessary to guide a person, unfamiliar with the process, through the required steps.

JPA's Response to the Follow-Up of Internal Control Weakness 2

Agree Disagree Partially Agree

We agree to this finding. Jaxport will update its SOP which will include detailed instructions on terminating an employee, including the roles for both Human Resources and Payroll. The SOP will be updated within 90 days.

Opportunity For Improvement 1 *System Limitations and Issues*

During the original audit, we identified that the HR/Payroll systems had the following three (3) limitations that could be improved upon:

- 1) Unsecure transfer of work time data between systems.
- 2) The required adjustment to employee time data prior to processing payroll when “holiday” hours and “regular” hours are in the same period.
- 3) There were old account numbers and associated data in the payroll system export that required adjustment prior to posting to the accounting system.

Item 1 was addressed through compensating controls and item 3 was corrected, however, item 2 still remains as an opportunity for improvement. The holiday hours issue refers to the HR/Payroll systems inability to process both “holiday” hours and “regular” hours for the same employee during a pay period. This issue requires the JPA payroll staff to perform manual adjustments in the HR/Payroll system to process payroll correctly. This issue should be addressed by the HR/Payroll system provider, who is also the provider of the time keeping system.

JPA's Response to the Follow-Up of Opportunity For Improvement 1

Agree Disagree Partially Agree

We partially agree to this finding. However, we feel there were enough checks and balances to ensure these limitations did not cause unnecessary errors or significantly increase processing times. However, Jaxport has had discussions with ADP (our HR/Payroll system provider) and we feel have

reached a solution. The holiday pay code that was causing the issue was adapted to not override automatic pay for exempt employees, while also paying non-exempt employees properly. Jaxport will be testing this code modification and once we are satisfied that all employees are being paid properly and that the system limitation has been corrected, we will fully implement this change.

We would like to thank the Jacksonville Port Authority for its cooperation in conducting this follow-up review.

Sincerely,

Kyle S. Billy

Kyle S. Billy, CPA
Council Auditor