



JFRD Payroll Audit - #770

Executive Summary

Why CAO Did This Review

Pursuant to Section 5.10 of the Charter of the City of Jacksonville and Municipal Code Chapter 112, we performed a payroll audit of the Jacksonville Fire and Rescue Department (JFRD) to determine if pay to JFRD employees was properly supported, accurate and paid on a timely basis.

What CAO Recommends

JFRD should:

- Improve access rights controls and the functionality of its timekeeping system
- Review internal controls to ensure timekeeping records are properly submitted and approved
- Modify the language in the collective bargaining agreements
- Start keeping payroll reports in electronic format

The Employee Services Department should:

- Review access to the payroll system for staff located at JFRD
- Improve the military pay review process
- Correct rate calculations for some pay elements and ensure that calculations are consistent
- Adjust incentive pay frequency to make it more uniform

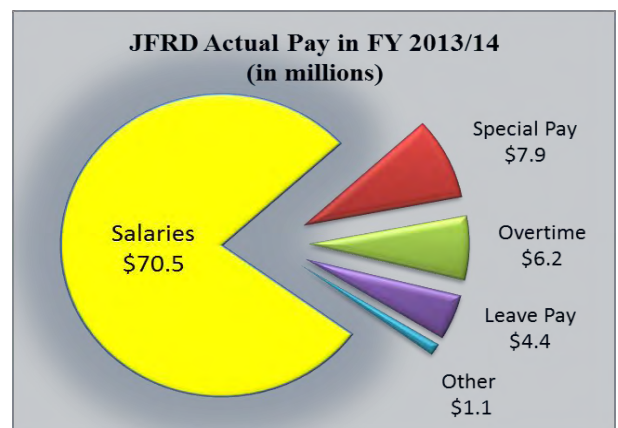
The Accounting Division (Central Payroll Office) should review procedures on prorating incentives for new hires and terminated employees to make calculations consistent.

Finally, we recommend that the Administration be transparent and fund program costs in the appropriate departments.

What CAO Found

It appears that pay to JFRD employees was, in general, properly supported, accurate and timely paid; however, we did find several issues in JFRD and areas managed by other departments:

- The former Administration improperly used and managed JFRD vacant positions for the Mayor's Summer Jobs Program
- Access rights were not always appropriate in both timekeeping and payroll systems
- Timekeeping system password settings and some reports could be improved
- Timekeeping records were not always properly submitted and approved
- Supplemental military pay review process had deficiencies (\$8,784 was overpaid in FY 2013/14)
- Calculations for some pay elements were not set up accurately and consistently
- Prorating of incentive pay to new hires and terminated employees was inconsistent
- Pay practices did not consistently mirror bargaining agreement language
- Incentive pay could be paid in a more uniform manner
- Payroll reports were unnecessarily printed (could save estimated \$1,820/year)





Council Auditor's Office

Jacksonville Fire and Rescue Department Payroll Audit

April 24, 2015

Report #770

Released on : September 29, 2015

EXECUTIVE SUMMARY

AUDIT REPORT #770

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



April 24, 2015

Report #770

Honorable Members of the City Council
City of Jacksonville

INTRODUCTION

Pursuant to Section 5.10 of the Charter of the City of Jacksonville and Chapter 102 of the Municipal Code, we conducted an audit of the payroll for the Jacksonville Fire and Rescue Department (JFRD). JFRD was intentionally excluded from the testing in the City Payroll Audit (Report # 762) due to the separate timekeeping system that is used exclusively by JFRD.

In the FY 2013/14 budget, a total of 1,301 full-time positions and 34,964 part-time hours were approved by the City Council for JFRD's operations. Over 33,000 payments were made to JFRD employees during that year totaling over \$90 million in gross pay.

JFRD uses a special timekeeping system (RMS) to track employees' attendance, annual leave and time worked. The data is then automatically uploaded into the City's payroll system (HRMS), which processes payments to all City employees. JFRD has its own payroll staff, and there are also some employees from the Employee Services Department who are physically located at JFRD's headquarters and perform human resources functions for JFRD.

STATEMENT OF OBJECTIVE

To determine whether pay to JFRD employees was properly supported, accurate, and timely paid.

STATEMENT OF SCOPE AND METHODOLOGY

The scope of our audit was October 1, 2013 through September 30, 2014, or FY 2013/14. We conducted extensive interviews with staff to obtain an understanding of the following processes: hiring, terminations, updates to employees' payroll data, payroll processing, and payroll distribution. We randomly selected 93 paychecks for detailed testing. We also judgmentally added various other types of pay from the remaining population to our sample for testing. At the end, payments tested totaled over \$197,000 and \$261,000 in gross pay for regular hours worked and other types of pay, respectively. We also tested in detail 20 off-cycle payments (i.e. payments outside of the normal payroll) with gross pay totaling over \$32,000. Finally, we tested payments made to new hires, terminated employees and employees whose pay was changed. The testing procedures were designed based on the results of the City Payroll Audit (Report # 762),

when it was applicable (certain testing was limited or waived). We excluded workers' compensation payments from our testing since it was handled by a different department.

REPORT FORMAT

Our report is structured to identify Internal Control Weaknesses, Audit Findings, and Opportunities for Improvement as they relate to our audit objectives. Internal control is a process implemented by management to provide reasonable assurance that they achieve their objectives in relation to the effectiveness and efficiency of operations and compliance with applicable laws and regulations. An Internal Control Weakness is therefore defined as either a defect in the design or operation of the internal controls or is an area in which there are currently no internal controls in place to ensure that objectives are met. An Audit Finding is an instance where management has established internal controls and procedures, but responsible parties are not operating in compliance with the established controls and procedures. An Opportunity for Improvement is a suggestion that we believe could enhance operations.

STATEMENT OF AUDITING STANDARDS

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDITEE RESPONSES

Responses from the auditees have been inserted after the respective finding and recommendation. We received these responses from Kurt Wilson – Director of Fire and Rescue, Kelli O’Leary – Director of Employee Services, and Michael Weinstein – Director of Finance/Chief Financial Officer (CFO) in a consolidated memorandum dated September 28, 2015.

AUDIT CONCLUSION

Based on the testing performed, it appears that pay to JFRD employees was, in general, properly supported, accurately calculated and timely paid; however, we did find several issues that needed to be addressed. It is important to note that many of those issues were related to the areas managed by other departments.

AUDIT OBJECTIVE

Determine whether pay to JFRD employees was properly supported, accurate, and timely paid.

Internal Control Weakness 1 *Access Rights Issues*

We noted various issues with the access rights for both JFRD's timekeeping system (RMS) and City's payroll system (HRMS). The issues were as follows:

1. The view-only access in RMS that we were granted during our testing was not truly view-only and still allowed users to edit certain data and view social security numbers of some employees.
2. Two of the Employee Services Department's employees who work on JFRD premises had excessive access rights to HRMS allowing them to perform both human resources and payroll-related actions.
3. Four JFRD payroll employees had the ability to enter, modify and approve employee leave requests in RMS without routing requests back to the employee's supervisor for approval. When other modifications are made to an employee's record (overtime, late run, etc.), those changes are routed to the supervisor for approval.
4. JFRD grants coordinator had excessive access rights in RMS that were not necessary in conducting her day-to-day duties. It appears a simple view-only type of access was sufficient enough for that position.
5. Two of the Employee Services Department's employees and one JFRD administrative employee were housed in a user group with super access rights in RMS without a valid business purpose.
6. We also found the following issues with employees being active users after their termination due to a lack of communication between JFRD and the Employee Services Department:
 - a. 16 seasonal employees who were terminated effective October 1, 2014 were still active in the RMS as of October 22, 2014.
 - b. A seasonal JFRD employee who never reported for work was still active in HRMS more than five months after his hire date.
 - c. A seasonal employee whose last day at work was May 29, 2014 was active in HRMS until September 5, 2014.

Recommendations to Internal Control Weakness 1

In general, we recommend JFRD periodically review RMS access rights for reasonableness. Such reviews should be documented. More specifically, we recommend the following:

1. JFRD should also ensure that the view-only level of access has no ability to make modifications in RMS or view social security numbers.
2. JFRD should modify RMS so that any changes made to employee's leave records are routed back to the employee's supervisor for approval, similar to other payroll elements.
3. JFRD should scale down the access rights for the grants coordinator in RMS to the level needed to complete daily duties.

4. JFRD should remove two of the Employee Services Department's employees and one JFRD administrative employee from the superuser group in RMS, and new user groups should be established, if needed, to appropriately satisfy needs of the users.
5. The Employee Services Department should remove payroll-related type of access in HRMS from the two Employee Services Department employees located at JFRD.
6. JFRD and the Employee Services Department should review and enhance their internal controls to ensure that communication between two departments about terminations is conducted in a manner so user accounts for terminated employees are timely inactivated in both systems.

Auditee Response to Internal Control Weakness 1

Agree Disagree Partially Agree

Agree: The JFRD will periodically review RMS access rights for reasonableness and document the results.

1. Only three individuals from Employee Services and one OGC attorney have ever been granted "guest access" in the RMS since its inception. The ability to make modifications and view social security numbers reported by the CAO were corrected in the RMS on December 13, 2014.

2. As recommended, development of automated routing of an amended leave request will be added to the RMS maintenance and upgrade list for ITD's review and completion.

3. The JFRD grant coordinator's accessibility to time sheets of grant staff is required to complete the quarterly financial reimbursement requests for certain grants, however, this can be accomplished by providing "guest" access. The rights of this employee have been changed in the RMS as recommended.

4. The two HR employees and one administrative employee performs updates in the RMS of the personnel file, temporary assignments, transfers, position control functions, FMLA entries, ML entries, shift changes, etc. which warrant accessibility to the system. "Super User" access in the RMS is limited to only 4 members and all transactions are logged and recorded in the system by user name. The JFRD will, however, add a request to the RMS maintenance and upgrade list for ITD's review and programming to provide each employee rights to only the necessary information to perform their particular job tasks.

5. Employee Services staff were granted Fire Payroll access in order for them to access, run and review the Fire Step Raise Reports. This access has been removed effective December 5, 2014, and the step raise review process transferred to the JFRD Payroll staff.

6. Employee Services and JFRD will review its process on notification of terminations. In December 2014, JFRD established a group email to notify all staff of both JFRD and Employee Services groups about impending terminations, new hires, pay changes, etc. The JFRD Payroll staff, during its weekly review of time and attendance reports will also provide Employee Services a list of those individuals who have no recorded work hours for the preceding week so

they may contact the Supervisor to determine if termination in the RMS/Oracle payroll system is warranted.

Internal Control Weakness 2 *Supervisors Electronically Signing-In for Employees*

We noted several instances in which field employees did not electronically sign in for hours worked in JFRD’s timekeeping system (RMS). Instead, a supervisor signed in for an employee. We even observed one instance in which a chief signed in for an employee for a shift that occurred after the employee had retired. Proper business practices require employees sign-off on their timesheets as this is the primary record which indicates an employee has attested to their hours worked. Having no such record increases the likelihood of employees being paid incorrectly due to employees not reviewing or signing off on their time.

Recommendations to Internal Control Weakness 2

We recommend JFRD periodically remind all employees about the importance of timely signing off for time worked. Also, JFRD should have a training session for supervisors to emphasize the importance of requiring all employees to sign off on their own timesheets in a timely manner and to identify helpful and practical tips on dealing with this issue.

Additionally, JFRD should contact the Employee Services Department and ask for assistance with this matter since the same issue was identified in a recently conducted audit of the City Payroll (Audit Report #762). Finally, JFRD should consider addressing this issue by adding specific language into the collective bargaining agreements about sign-off requirements.

Auditee Response to Internal Control Weakness 2

Agree Disagree Partially Agree

JFRD will provide Supervisory training to remind employees the importance of verifying their timesheets and will provide the CAO recommendations to Employee Services for consideration during the collective bargaining process.

Internal Control Weakness 3 *Lack of Supervisor Review for Arson Canines Care Hours*

There was no supervisory review or approval of timesheets submitted by JFRD employees who care for the department’s arson canines while off-duty. To be paid for hours spent on care for arson canines, employees use paper timesheets because RMS is currently not set up to process this type of work. We reviewed a sample of paper timesheets and found there was a line for the signature of both the battalion/district chief and department head; however, none of the forms we reviewed were signed by anyone other than the employee. Per JFRD payroll staff, no supervisory approval is required on the timesheets: employees simply submit their timesheets directly to JFRD payroll for processing. Not requiring supervisory review and approval of timesheets puts JFRD at risk of paying personnel inaccurately and creates a greater opportunity for malfeasance.

Recommendation to Internal Control Weakness 3

We recommend JFRD choose one of two options:

- 1) Require arson canines care timesheets to be reviewed and approved in writing by the employee's supervisor prior to submission to JFRD payroll for processing
- 2) Modify this type of pay so it is processed as an incentive pay to approved employees on a biweekly basis, thus eliminating the need for the timesheets and manual processing (language of the collective bargaining agreement would need to be modified if this option is chosen)

Auditee Response to Internal Control Weakness 3

Agree Disagree Partially Agree

The care and maintenance/training of a USAR canine and the overtime payments authorized in accordance with Article 11.12 of the IAFF Collective Bargaining Agreement are for work performed while the handler is off-duty. Once an individual handler is approved and the proper training of the canine completed, the individual is authorized for the duration of their career unless the trainer/dog lose their certification or standing on the USAR team. To require a Supervisor to review timesheets and authorize/approve the off-duty work of a handler is an unreasonable request for any Supervisor/Chief since they have no knowledge or direct Supervision of the work being performed by the handler.

The recommendation to modify this type of pay so it is processed as an incentive pay, thus eliminating the need for timesheets and manual processing will be forwarded to Employee Services for consideration during the collective bargaining process.

Council Auditor Rebuttal to the Auditee Response to Internal Control Weakness 3

While we recognize the logistical challenge in authorizing/approving time worked by an employee who is technically off-duty, the lack of oversight in this area creates an opportunity for time to be inaccurately recorded without proper authorization. We believe that there are reasonable measures JFRD can take immediately in order to establish better oversight. For example, a supervisor could verify the time an off-duty employee left and returned to work with the canine under his/her care and could review timesheets to confirm that the number of employees requesting canine duty pay do not exceed the number of canines assigned to the department.

Internal Control Weakness 4 *Unsecured Paper Pay Checks*

JFRD is not safeguarding paper pay checks from theft. On October 27, 2014, we observed three paper pay checks sitting on the desk of a JFRD payroll staff. These checks were visible and accessible to anyone walking by the desk. In addition, JFRD does not keep a list of the checks received from Central Payroll to compare it to the list of distributed checks. Therefore, the only way JFRD would be alerted about a missing check would be if an employee notified them.

Recommendation to Internal Control Weakness 4

We recommend JFRD implement a policy in which paper pay checks are locked up at all times and the distribution of checks is accounted for.

Auditee Response to Internal Control Weakness 4

Agree Disagree Partially Agree

The JFRD will implement a policy to lock up the less than 10 physical pay checks received each payday. The distribution process has been in place since June 2014 and checks are accounted for and logged each week as indicated in the "payroll check pick-up" report. These reports are on file in the JFRD payroll section.

Finding 1 *Mayor's Summer Jobs Program Positions Placed into JFRD*

The former Administration improperly and in a non-transparent manner, utilized vacant, unfunded positions within JFRD for the staffing of ten job coaches for the Mayor's Summer Jobs Program during FY 2013/14. We noted various issues with the hiring, pay and benefits of those employees. Ten seasonal, special purpose employees were hired and initially paid out of JFRD's vacancy pool account in order to be job coaches for the Mayor's Summer Jobs Program. The payroll expenses were then moved to the Employee Services Department's account. The employees appeared to work on an hourly, full-time basis and averaged pay and benefits of approximately \$6,641 each over their tenures (each employee was paid at a rate of \$17 per hour). We noted the following issues with this process:

1. JFRD is not involved in the summer jobs program, and the positions should have been originally accounted for and paid out of a department that is directly involved and accountable for the summer jobs program such as the Employee Services Department.
2. The job codes for the unfunded JFRD positions were changed so JFRD unfunded positions could be underfilled and used for the summer jobs program. Based on the obtained email correspondence, it appears that there was also the intent to keep this process as confidential.
3. The positions in JFRD vacancy pool account were unfunded and remained so throughout the course of the FY 2013/14. The former Administration never formally established a budget for the funding of the ten employees in the vacancy pool account, although actual payroll expenses were posted to the account for a period of time.
4. During the review of the Mayor's FY 2014/15 proposed budget, the City Council Finance Committee requested that the former Administration provide a full disclosure about the personnel and associated costs for the Mayor's Summer Jobs Program, including where employees were housed. The former Administration's response during the budget hearings included no mention of the ten job coaches being placed in JFRD's vacancy pool.
5. All ten summer job coaches earned pension benefits. Per the City of Jacksonville's "Special Purpose Employee Administration Plan" and the City's website, no special purpose employees are eligible to participate in the City pension plan. Per the Employee Services Department, both the plan and the website were outdated, and the

Administration was in the process of updating both. City contributions for the pension plans totaled \$5,682.88.

6. One employee hired as a summer job coach worked just 28 hours and appeared to be let go after failing a background screening. Therefore, the City hired an employee and allowed her to begin working prior to finalizing the background screening process.
7. Due to a timing issue, the City enrolled seven summer job coaches into the City's health and life insurance plans although they were no longer employed with the City. When the Employee Benefits office was informed of the terminations, the enrollments were reversed, and no insurance payments appear to have been made for these employees. Despite this, City accounting records indicate that \$536.32 in health and life insurance benefit expenses were charged to the account which housed the summer job coach employees.

Recommendations to Finding 1

The Employee Services Department should:

- ensure that underfilling of positions be used in the manner intended, which is generally for jobs similar in nature
- ensure that candidates for employment not begin work for the City until after they have successfully passed a background check
- ensure that employees are actively employed with the City before enrolling them into the City's insurance plans

We also recommend the Administration budget and pay for positions out of the accounts of the appropriate departments and take the steps necessary to ensure that information provided to the City Council or one of its committees is both accurate and complete.

Auditee Response to Finding 1

Agree Disagree Partially Agree

1. JFRD is not involved in the summer jobs program, and the positions should have been originally accounted for and paid out of a department that is directly involved and accountable for the summer jobs program such as the Employee Services Department.

JFRD is only involved in the summer jobs program to the extent that Employee Services may assign one or more of their summer jobs students to be physically located at JFRD headquarters with the Employee Services staff. The positions should have been originally accounted for and paid out of a department that is directly involved and accountable for the summer jobs program.

Effective July 30, 2012, the Mayor's Office hired a Jacksonville Journey Coordinator/SPE to manage the Mayor's Summer Jobs Program. Beginning in the summer of 2013, Employee Services no longer managed the Mayor's Summer Jobs Program. However, since the funds were moved into Employee Services, it would have been appropriate for the employees to be housed in Employee Services if it had the part time hours available to do so. There were 8,210 part time hours transferred into ESOD011 and \$133,004.00. The money was available to pay

for the job coaches from the monetary transfer into Employee Services, and in fact Employee Services did pay for their payroll expenses, however, the part time hours were being used for the students and not for the job coaches.

2. *The job codes for the unfunded JFRD positions were changed so JFRD unfunded positions could be underfilled and used for the summer jobs program. Based on the obtained email correspondence, it appears that there was also the intent to keep this process as confidential.*

Positions are reclassified when they are intended to change from one position to another. The intention was not to permanently change the positions; the intent was to allow the job coaches to occupy the positions due to the fact that there were no part time hours available. The positions were “under-filled” meaning that the position title remained as is but filled as a different job title. This is a practice that is longstanding, acceptable, and necessary due to changing business needs and does not affect the employee cap. Given that there were no other viable options due to a lack of part time hours; Employee Services was directed by the previous Administration to conduct the transactions to effectuate this action.

The positions were unfunded. The dollars for the position were journal entried into the Fire and Rescue Department meaning that the Fire and Rescue Department’s budget was not impacted.

We agree an email was sent to keep the transaction confidential but the intent was simply not to broadcast until a final approval and decision was received from the Administration.

3. *The positions in JFRD vacancy pool account were unfunded and remained so throughout the course of the FY 2013/14. The former Administration never formally established a budget for the funding of the ten employees in the vacancy pool account, although actual payroll expenses were posted to the account for a period of time.*

The positions were unfunded. Payroll expenses were posted through journal entries following that process. The Fire and Rescue Department’s budget was not impacted.

4. *During the review of the Mayor’s FY 2014/15 proposed budget, the City Council Finance Committee requested that the former Administration provide a full disclosure about the personnel and associated costs for the Mayor’s Summer Jobs Program, including where the employees were housed. The former Administration’s response during the budget hearings included no mention of the ten job coaches being placed in JFRD’s vacancy pool.*

The prior Administration did not share the response or lack of response reasoning to the Employee Services Department.

5. *All ten summer job coaches earned pension benefits. Per the City of Jacksonville’s “Special Purpose Employee Administration Plan” and the City’s website, no special purpose employees are eligible to participate in the City pension plan. Per the Employee Service Department, both the plan and the website were outdated, and the Administration was in the process of updating both. City contributions for the pension plans totaled \$5,682.88.*

Employee Services will update both the employment plan and the website upon resolution involving SPE's and pension options currently under review by the Office of General Counsel.

6. *One employee hired as a summer job coach worked just 28 hours and appeared to be let go after failing a background screening. Therefore, the City hired an employee and allowed her to begin working prior to finalizing the background screening process.*

Employee Services was instructed to start this particular employee on a specific date, the offer and continued employment remained contingent upon successfully passing both the drug screen and background screen. The start date preceded receiving the final background results. This was outside of Employee Services normal process.

7. *Due to a timing issue, the City enrolled seven summer job coaches into the City's health and life insurance plans although they were no longer employed with the City. When the Employee Benefits office was informed of the terminations, the enrollments were reversed, and no insurance payments appear to have been made for these employees. Despite this, City accounting records indicate \$536.32 in health and life insurance benefit expenses were charged to the account which housed the summer job coach employees.*

The seven employees were defaulted by Oracle for a benefits effective date of September 1. This means basic life insurance and high deductible HMO. However no premiums were paid out for these employees because the Benefits Office was notified of their August termination prior to paying the September premiums.

Finding 2 *Issues with Military Pay*

We discovered various issues with the calculation and processing of supplemental payments made to employees who were on military leave. Ordinance Code Section 116.501 requires supplemental payments be made in the amount necessary to bring employees' total compensation, inclusive of military pay, to the level of City base pay plus various incentives. The City calculates the supplemental pay amount based on a Military Leave and Earnings Statement (LES) that is essentially a military pay stub. Employees are required to provide the LES to the City when they receive military orders.

We initially tested five supplemental payments totaling \$5,126.54 made to two different employees on military leave. For perspective, JFRD had a total of four employees who received supplemental military pay in FY 2013/14, with payments totaling \$36,236.57 for the year, of which \$28,079.42 was paid out to the two employees tested. Based on our testing, we estimated the total overpayment for the two employees tested amounted to \$8,784.06 for the FY 2013/14. We also found issues regarding the quality of review of military leave requests, which led to an additional overpayment by the City of possibly several thousand dollars.

The issues we discovered were as follows:

1. We found that employees were only providing one LES when they received their orders to report for duty, while they should be providing updated LES's in the event that their pay changed (as it appears to be necessary in order to calculate correct pay throughout the

leave term, and as it is documented in the checklist designed to aid employees with the military leave process). However, the requirement to provide updated LES's, when military pay changes, was not codified in any City internal policy or law that we could locate. For example, the LES used to calculate the supplemental pay for one employee showed a monthly housing allowance of only \$8.10 that appeared to cover just a part of the pay period, but was included in the supplemental calculation as if it were the employee's full monthly housing allowance amount. Therefore, it appears that the employee's supplemental payment was higher than it should have been since only part of the employee's housing allowance was considered when determining supplemental pay, and it is possible that this employee was overpaid several thousand dollars in FY 2013/14.

2. A calculation of one employee's supplemental pay did not include the employee's military meal allowance of \$357.55 per month as listed on the LES. This resulted in an overpayment of supplemental pay as the employee's meal allowance should have been included in military pay, which would have offset part of the supplemental amount. This error resulted in total overpayment by JFRD of \$1,978.44 for FY 2013/14.
3. We also observed that both employees continued to receive their monthly EMT incentive in addition to their supplemental pay; however, the incentive had already been included in the supplemental pay calculation. Therefore, they were incorrectly paid the \$450 incentive twice each month. For the FY 2013/14, we estimated this resulted in one employee being overpaid by approximately \$3,530.90 and another employee being overpaid by approximately \$2,490.
4. We also found that one employee on military leave continued to receive his monthly hazardous duty incentive payment while it was included in the calculation of supplemental pay. This meant that the \$100 incentive was incorrectly paid twice each month. We estimate that this resulted in a total overpayment to the employee of \$784.72 for the entire FY 2013/14. Moreover, this type of incentive was not listed in neither the Ordinance Code nor the City internal policy as eligible. We observed that it had been handwritten into JFRD payroll's copy of the City Military Leave Directive as eligible, while JFRD could not provide any formal support authorizing such practice.
5. Several concerns were brought to our attention by City staff regarding the accuracy, consistency and ownership of the military leave review and approval process. Per the Employee Services Department, at the time of our review, there were no procedures in place that addressed the military leave approval process, particularly determining whether the leave was for active duty or training.

Recommendations to Finding 2

JFRD should attempt to recoup \$8,784.06 that was overpaid in FY 2013/14 to two employees tested and also try to determine the amount of overpayment (by requesting additional LES statements) due to including only partial military housing allowance into calculation of supplemental pay.

The Employee Services Department should:

1. formally require that employees on military leave provide current LES statements whenever their military pay changes and should also consider reconciling the

- supplemental pay for employees throughout or at the end of the military leave by requesting LES statements for the whole period in question
2. require that employees on military leave provide more than one LES initially so that it can be determined the full monthly amount the employee is earning from the military in allowances (such as housing and meal) to accurately calculate supplemental pay
 3. verify that all incentive payments are discontinued once supplemental payments begin to avoid double payments since all eligible incentives should already be included in the employee's supplemental pay rate
 4. centralize the military pay process, so that the review, approval and tracking of military leave requests as well as calculation of supplemental payments are handled by one area for the entire City to ensure that uniform and consistent process is in place to minimize any risks of employees being paid incorrectly
 5. update the Military Leave Directive so hazardous duty incentive is officially included in the calculation of the supplemental military pay

Auditee Response to Finding 2

Agree Disagree Partially Agree

Employee Services and JFRD have met numerous times to improve the process for military leave which has resulted in procedural improvements some of which have been made and others of which are in process.

1 and 2. Employee Services had not been requiring additional LES statements from employees on leave, but is changing that process so that one is required every six months or if there is a change in the employee's pay and upon their return for reconciliation. This item will be addressed in Directive 800 which is in the process of being updated

3. Employee Services is obtaining a legal opinion to determine which incentive pay should be continued and which should be discontinued. This too, will be added to Directive 800. Employee Services will also verify that any opportunity for double payments is discontinued. This update will include an SOP to outline the requirements and steps to accurately calculate supplemental payments and updates to Oracle payroll to discontinued incentive payments already included in the supplemental pay calculation.

4. The review, approval and tracking of military leave, as well as, the calculation of supplemental payments will be handled within Employee Services for the entire City.

5. As indicated in item 3 above, Employee Services is in the process of obtaining a legal opinion to determine which incentive pay should be continued and which should be discontinued. Any updates necessary will be included in the revision of Directive 800.

Finding 3 *Overpaying Straight Time Overtime*

We tested three payments made to employees who earned straight time overtime pay and found that there was a systematic issue that caused an overpayment each time straight time overtime was paid. The City generally pays straight time overtime when an employee works time outside of their normal schedule but does not exceed 40 hours total in a week. For example, an employee who is assigned to work Monday through Friday for 8 hours per day may call in sick on Monday, but then pick up an 8 hour shift on Saturday. The 8 hours worked on Saturday

would technically be coded as overtime since it was not the employee's regularly scheduled shift, but would be paid at the straight time regular rate and not time and a half.

The City's payroll system (HRMS) calculates the rate for straight time overtime pay as the employee's base pay rate in addition to other pay elements earned during the pay period (specifically hourly and monthly incentives as well as shift differential), although those elements are already being paid separately. Therefore, for the payments made to three employees tested, we found that the hourly straight time overtime rates exceeded their base rates by \$1.42, \$1.66 and \$3.11, respectively, resulting in total overpayments of \$5.68, \$6.64 and \$71.91. While the amounts found during our testing were immaterial, it is important to note that this is an across the board system problem that has potentially affected all past straight time overtime payments possibly since 2004 when HRMS was introduced, and this issue will continue to affect future payments if not fixed in HRMS.

Finally, it should be noted that paying a premium rate for straight time overtime creates an incentive for an employee to not work his or her regularly scheduled shift. For example, an employee with a base pay rate of \$10 per hour who is earning \$2 per hour in incentives could make additional money by calling in sick for one shift and then picking up a non-scheduled shift later in the week since the rate for this non-scheduled shift would be paid at \$12 per hour instead of \$10 per hour.

We contacted the Information Technology Division (ITD) in order to determine the reason why other earnings elements were included in straight time overtime pay. Per ITD, this element was defined by the Employee Services Department and the Accounting Division (Central Payroll Office) in 2004 when HRMS was implemented. Therefore, it appears that these overpayments have been occurring for over a decade.

Recommendation to Finding 3

We recommend the Employee Services Department change the calculation of the hourly rate for straight time overtime in HRMS so it is simply the employee's hourly base pay rate.

Auditee Response to Finding 3

Agree Disagree Partially Agree

Employee Services, JFRD, Payroll, and IT are meeting in an effort to retile the element to ensure the correct element is selected. The element exists, however, it is not clearly identifiable which adds room for error.

Finding 4 *Inconsistent Calculation of Pay Rates*

Several types of incentive pay were not consistently included in the calculation of hourly rates for various types of pay, primarily overtime pay, which lead to employees being constantly over or underpaid. Specific examples are below:

1. Special operations incentive pay was included in the calculation of the hourly rates for various pay elements, including Holiday Leave Sellback and Overtime Exempt Defined

(Chief's Overtime), but was excluded from FLSA Overtime (Rank and File Overtime), Fire 7K (extra four hours of overtime for working over a certain number of hours during the 27-day work cycle), and Holiday Overtime Half-Time (extra 1/2 time pay for working on a holiday) calculations.

2. Special assignment incentive pay was included in the calculation of hourly rates for all elements tested when applicable, but was excluded from K9 Care (off-duty caring for arson canines) calculations.
3. State education incentive pay was included in the calculation of hourly rates for all elements tested when applicable, but it was excluded from Holiday Overtime Half-Time calculations.

We have reviewed the bargaining agreements and found that special assignment incentive pay is specifically included in the regular rate of pay for overtime calculation purposes, but it remains unclear whether or not special operations and State education incentives should be included in the calculation of overtime. Because of the widespread nature of these inconsistencies, it was not possible to determine the amount employees may have been overpaid or underpaid. Per the Employee Services Department, the department already met with JFRD and the Central Payroll Office to begin researching and addressing this issue.

Recommendation to Finding 4

We recommend the Employee Services Department request assistance from ITD and JFRD with reviewing and adjusting calculations for pay rates for the elements discussed, based on the collective bargaining agreements. Anything that is not clearly explained in the collective bargaining agreements should be addressed in the next round of negotiations.

Auditee Response to Finding 4

Agree Disagree Partially Agree

Employee Services, JFRD Payroll, and IT are meeting to correct how the pay is calculated to ensure consistency and to ensure that it is in compliance with the collective bargaining agreement; outstanding issues will be part of the next round of negotiations.

Finding 5 * Incorrect Calculation of Out-of-Class Pay*

The hourly rates used in calculating out-of-class pay (a firefighter working as engineer, for example) were not updated in a timely manner in JFRD's timekeeping system (RMS) when an employee received an automatic base pay change (i.e. a step increase), resulting in overpayments to some employees and underpayments to other employees. We found that 16 of the 36 (44.4%) out-of-class differential payments tested were computed using the wrong hourly rate. The differences in the hourly rates ranged from \$.01 to \$1.34. Combined, the 16 exceptions resulted in a net overpayment to employees of \$226.53.

Unlike other pay elements, the City's payroll system (HRMS) did not automatically calculate payment amount based on the HRMS rate multiplied by the hours worked per RMS. Instead, for out-of-class pay, both rates and hours would be uploaded from RMS. Since the Employee Services Department's staff housed at JFRD sometimes failed to timely update data in RMS,

when there was a change in base pay, RMS rates for out-of-class pay were often incorrect. For example, we noted an employee who received a step raise effective 9/21/13, but his out-of-class pay rate was not manually updated in RMS until 4/23/14. Therefore, there was a discrepancy in his out-of-class pay rate for over seven months.

This issue impacted out-of-class pay and also any pay elements that included out-of-class pay in their rate calculation. For example, if an employee was overpaid or underpaid for out-of-class pay while working overtime, the overtime calculation was also incorrect.

Recommendation to Finding 5

We recommend the Employee Services Department modify HRMS so that out-of-class rate is automatically changed when an employee's base pay is adjusted in HRMS.

Auditee Response to Finding 5

Agree Disagree Partially Agree

Employee Services, JFRD, and Payroll are working with IT to develop the out of class rate calculation in Oracle and to automate the process. Although Oracle is the City's primary human resources information system and all other rates are derived in Oracle, this particular pay rate is driven by what is in the employee's record in the Fire RMS.

Finding 6 *Issues with Payments to Terminated Employees*

We found various issues with the payments made to terminated employees while testing the final payments and payments for personal/holiday leave to 20 terminated employees.

The final payments to four terminated employees were incorrect. The issues were as follows:

1. One terminated employee was overpaid by \$535.01 due to an input error (paid for 56 hours instead of 40). JFRD payroll staff is sometimes tasked with manually entering hours worked during the final pay period for employees who were already terminated in the system.
2. Three terminated employees were overpaid by a total of \$720.02 due to a current practice of paying in full for monthly incentives instead of prorating them based on number of days worked during last month. Moreover, we found that employees whose final hours worked were paid via a paycheck that was not the last paycheck of the month did not receive any monthly incentive pay for the last month worked.

The accrued leave payments to three terminated employees were incorrect. The errors were as follows:

1. One employee was underpaid by \$1,186.67 for the personal leave and by \$72.00 for the compensatory leave due to the Accounting Division (Central Payroll Office) using an incorrect hourly rate.
2. One employee was overpaid \$25.73 due to JFRD paying 100% of the personal leave accrued instead of 75%. Employees with less than 10 years of service receive 75% of

personal accrued leave. He was also underpaid by \$201.76 due to an incorrect calculation of his holiday leave balance by JFRD's payroll staff.

3. One employee was overpaid by total of \$107.81 for donated leave that was not properly deducted from the holiday leave balance.

Finally, we found that a civilian employee in JFRD received a termination leave payout totaling \$4,509.74 for 337.95 hours of leave, although he did not actually terminate employment. Instead, the employee transferred from part-time employment to full-time employment. The AFSCME collective bargaining agreement states that termination leave payouts are to be made in the event of termination or retirement. It should be noted that the termination leave payment was made one-and-a-half months after the employee had become a full-time employee.

Recommendations to Finding 6

JFRD and the Accounting Division (Central Payroll Office) should attempt to recover/repay amounts overpaid/underpaid to terminated employees (except when related to the prorating issue). We also recommend JFRD review and enhance internal controls regarding the calculation and approval of payments to terminated employees.

The Accounting Division (Central Payroll Office) should create and follow a written standard operating procedure that would explain which elements should be prorated and how they should be prorated. As with prorating incentive payments to new hires, we recommend to use the percentage method (ratio of days employed to the total days in the month terminated). Moreover, the Accounting Division (Central Payroll Office) should consider prorating incentives not just on days employed, but days/hours worked, level. We also recommend the Accounting Division (Central Payroll Office) implement a policy of having leave payments to terminated employees reviewed by a second person for accuracy prior to the payout.

The Employee Services Department should consider automating the terminal leave payments process by minimizing the need for manual entries, which would decrease the risk of manual input errors.

Both the Employee Services Department's and JFRD's staff should review the City policy and collective bargaining agreements' requirements for the termination leave payouts and also should always verify that an employee has truly been terminated or retired prior to the approval of the termination leave payment.

Auditee Response to Finding 6

Agree Disagree Partially Agree

The JFRD and Accounting Division (Central Payroll Office) has paid the employee who was underpaid and has a payment agreement from the terminated employee who was overpaid on his final payment. The JFRD and Central Payroll Office is still researching the small overpayments/underpayment on the other two employees cited and will take appropriate action after the research is complete.

The Accounting Division (Central Payroll Office) will document their prorating procedures concerning prorating payroll elements and will work with Employee Services to obtain information from them to prorate employees who terminate their service. After careful consideration, the Accounting Division (Central Payroll Office) will continue to prorate based on days employed as that method is more efficient and practical to administer than trying to prorate on an hours basis. We agree to implement procedures for a second review of leave payments to terminated employees. This procedure will be documented in a Standard Operating Procedure (SOP).

JFRD and Employee Services further agree to review the City policy and collective bargaining agreements' requirements concerning termination leave payouts for employees transferring from grant funded employee status to full-time civil service status and document the procedures for leave payouts via a Directive from Employee Services. All areas agree that automation of the leave payout calculations would decrease the risk of manual input errors and ITD will be notified of this recommendation to update the Oracle payroll system.

Finding 7 *Issues with Changes in Pay*

While testing 48 changes in pay, we found that some employees were not paid accurately and changes were often processed in an untimely manner. The issues were as follows:

1. The Accounting Division (Central Payroll Office) inaccurately calculated retropay amounts for two out of twelve (or 16.7%) employees resulting in a total overpayment of \$492.25. The first employee was overpaid by \$662.80 due to an inaccurate calculation of retroactive EMT incentive pay due. The second employee was underpaid \$170.55 due to an inaccurate calculation of retroactive pay due. The retroactive pay calculation is manually computed by the Central Payroll Office.
2. Twelve of 48 (or 25.0%) changes in pay tested were not processed in a timely manner, averaging 25 days between the pay date for the period in which the change had occurred and the date when the change was input in the system.

Recommendations to Finding 7

We recommend JFRD and the Employee Services Department review and enhance internal controls regarding the change in pay process to ensure the amounts paid to employees are paid in a timely manner. Also, the Accounting Division (Central Payroll Office) should attempt to recover/repay amounts identified above and establish review procedures to minimize the risk of miscalculation.

Auditee Response to Finding 7

Agree Disagree Partially Agree

The JFRD will work with the Employee Services Department to review and enhance internal controls regarding the change in pay process to ensure the amounts paid to employees are paid in a timely manner. In September 2014, an additional Employee Services staff member was assigned to JFRD to improve the timeliness of transactions and Central Payroll will establish a

second review procedure and document the procedure in a Standard Operating Procedure (SOP) to enhance internal controls regarding changes in pay.

Accounting Division Response -The Accounting Division will attempt to recover overpayments and will repay underpayments. The Accounting Division (Central Payroll Office) will establish second review procedures and document the procedure in a Standard Operating Procedure (SOP).

Finding 8 *Issues with Payments to New Hires*

The calculation of prorated incentive payments to new hires for the first month worked has a logical flaw which leads to employees hired on the same date being paid different amounts for the same incentive. The Accounting Division (Central Payroll Office) utilizes two different methods to prorate incentives due. One method is used for payments that are made in a timely manner. Under this method, the whole monthly incentive is paid to the employee; however, one counts number of days in the month before the hire date and multiplies that number by the daily rate (calculated on annual basis), and this amount is backed out of the monthly incentive amount. The other method is used when a payment was not made timely, and retro pay is due. Under this method, one counts the remaining days in the month from the hire date and multiplies that number by the daily rate. For example, if two employees start on February 16, and there are 28 days in that month, they could be paid different amounts. The monthly EMT incentive of \$450 would need to be prorated. The employee who is getting paid timely would get \$227.47. The second employee who is paid via retro pay would only get \$192.86.

Recommendation to Finding 8

The Accounting Division (Central Payroll Office) should create and follow a written standard operating procedure that would explain which elements should be prorated and how they should be prorated. As with prorating incentive payments to terminated employees discussed in Finding 6, we recommend using the percentage method (ratio of days employed to the total days in the month hired or possibly ratio of days/hours worked to the total days/hours scheduled to work).

Auditee Response to Finding 8

Agree Disagree Partially Agree

The Accounting Division (Central Payroll Office) will document their prorating procedures concerning prorating payroll elements as noted in the response to Finding 6. After careful consideration, the Accounting Division (Central Payroll Office) will continue to prorate based on days employed as that method is more efficient and practical to administer than trying to prorate on an hours basis.

Finding 9 *Issues with Payment of State Incentives*

Employees who were not working (for example, were receiving workers' compensation) were not receiving State education incentive pay (\$50 or \$110 per month) which was received by the City from the State to be passed through to the employees. While testing off-cycle payments, we found that one of those payments was a retroactive payment for the State education incentive pay. It was made to an employee who was not working, but was receiving workers'

compensation. Due to a payroll system setup, workers' compensation was not linked to the State education incentives. Therefore, the employee was not receiving State education incentive for 11 months while the State was providing the funding. This issue was discovered by the department in 2014, and this employee was paid \$1,210. Per JFRD, payments to employees who were on workers' compensation for the past two years were reviewed after we inquired about this. The two year benchmark was chosen based on the Accounting Division's operating procedures. JFRD found one more employee who was underpaid. He filed a grievance, so payment to him would be made when the grievance is processed by the Employee Services Department.

Recommendation to Finding 9

JFRD should review and modify its internal controls to ensure that State education incentive pay is always passed to the employees. In particular, JFRD should determine if there are any other categories of employees, such as those on the Family Medical Leave Act (FMLA), for example, that are not properly set up in the payroll system to receive State education incentive pay.

Auditee Response to Finding 9

Agree Disagree Partially Agree

JFRD Payroll identified the State Education issue related to W/C Supplemental payments in March 2014 and was properly managing it within its scope of authority. The W/C supplemental pay process was eventually eliminated in November 2014, and resolved the issue with State Education while out on a worker's comp injury. The JFRD Payroll staff processed under/overpayments in accordance with City Payroll SOP, "Procedure for Payroll Correction of Overpayment and Underpayment of Salaries and Wages," dated 12/19/2009. Additionally, Employee Services is reviewing this payroll element to ensure incentive pay for State Education is properly being passed through even though an employee may be out on military leave, FMLA unpaid leave, Workers Comp. leave, etc. JFRD will continue to reconcile the State Education report with that of RMS/Oracle payroll and request State supplemental reimbursements only for the amount paid and will further review any other opportunities to enhance its internal controls.

Finding 10 *Tuition Reimbursement Issues*

We found an issue with the City policy governing tuition reimbursement. A tuition reimbursement payment was made to an employee for his paramedic certification course from an institution that was not accredited. The City policy does not address whether an employee may be reimbursed for a certification course taken at a non-accredited institution; however, it clearly states that undergraduate and graduate level courses are eligible for reimbursement if they are taken at accredited degree-granting institutions. Additionally, the policy states that reimbursement for the cost of taking examinations for college credit is permitted provided that the exam is given by an accredited school.

Recommendation to Finding 10

We recommend that JFRD update the current tuition reimbursement policy to address whether or not tuition paid for taking any courses at a non-accredited institution can ever be reimbursed, as well as outline the specific instances when this is permitted.

Auditee Response to Finding 10

Agree Disagree Partially Agree

Employee Services is in the process of updating the current tuition reimbursement policy to include paying for non-accredited courses that are directly related to JFRD jobs.

Finding 11 *Incentives Not Timely Adjusted*

We found instances where employees either continued to receive incentive payments for several months after they were no longer eligible to receive them or did not receive an incentive that they were entitled to for several months. It should be noted that the excess payments were ultimately recouped by the City or employees were later paid amounts owed via retro pay before the commencement of the audit. In one instance, an employee who was moved from the Rescue Division on February 14, 2014 continued to receive an additional \$150 per month for the paramedic incentive until July 22, 2014. In another case, an employee continued to receive an additional \$100 per month for the fire inspector incentive until June 20, 2014, even though he was transferred out of the Fire Prevention Division on March 29, 2014. Finally, an employee who was transferred to the Special Operations Unit on March 31, 2012 did not start receiving an additional \$100 per month until November 22, 2013.

While investigating this issue, we learned that the Employee Services Department's employees located at JFRD were responsible for completing two transactions in the City's payroll system (HRMS) for each transfer. The first transaction involved moving the employee in the system to the new division, while the second transaction involved adjusting the incentive pay. In all cases described above, it appears that the employee responsible for inputting the transactions failed to complete the second transaction. Moreover, no review is done by another employee from the Employee Services Department at JFRD. It appears that even though these transactions are forwarded to the central office of the Employee Services Department for their approval, the approver does not generally have enough knowledge about JFRD operations to catch such omissions.

Recommendations to Finding 11

We recommend transfer transactions in HRMS be reviewed by a second Employee Services Department employee located at JFRD before transmitting the transaction to the next level of approval. We also recommend the Employee Services Department consider modifying HRMS so that it can automatically make necessary adjustments so only one transaction is required, or at least, modify HRMS to prompt users when a second transaction may be needed.

Auditee Response to Finding 11

Agree

Disagree

Partially Agree

Another Human Resources Specialist position was assigned to JFRD in September 2014 to, in addition to other duties, review position and element change transactions for accuracy. Additionally, Employee Services will look into reconfiguring Oracle to automate the process.

Opportunity for Improvement 1 *Collective Bargaining Agreements Language*

The City has the opportunity to improve consistency between the International Association of Firefighters (IAFF) collective bargaining agreements (union agreements) and current payroll practices by making revisions to the agreements during the next round of negotiations. We found various instances where current payroll practices did not match with the language specified in the union agreements. These instances are listed below:

1. Although Section 15.4 states that an employee must work 10 days each month of a quarter to earn a \$100 quarterly dry cleaning/laundry allowance, JFRD's practice is to count 12 hours worked as one day for 56 hour per week employees, although 24 hours worked is one normal shift. A day for purposes of determining allowance eligibility was not defined in the union agreements, although the union agreements did appear to imply that one day equaled 12 hours in other areas of the agreement. Also, if an employee were to not meet the minimum amount of days in a month, JFRD practice was to prorate the allowance based on the number of months in which the employee met the requirements. The union agreements did not contain any language stating that dry cleaning/laundry allowances should be prorated.
2. Although Section 14.11(A) does not reference a minimum number of days that need to be worked in order to earn the \$48 monthly supplemental benefit (meal allowance or supplemental cleaning allowance), JFRD practice mirrored the dry cleaning/laundry allowance above in requiring a minimum number of days that an employee must work each month of the respective quarter. Also, if an employee were to not meet the minimum amount of days in any month, JFRD also prorated the supplemental benefit, even though such practice was not addressed in the union agreements.
3. Section 14.3 states that transfer payments are to be paid quarterly, within 30 days of a request for payment. However, we were told by JFRD that this language was outdated, and the actual practice was to issue transfer payments each pay period. In the past, employees submitted paper transfer payment requests while RMS now automates this process, resulting in more timely transfer payments. The union agreement has not been updated to reflect current practice.
4. Section 19.12 states that retiring employees should receive payment for personal leave up to 120 days. However, the actual practice is to pay all accrued leave to retiring employees. Since current employees have a sellback and rollback option to annually decrease their personal leave to 120 days, and terminated employees are paid for all personal leave per the agreements, it appears the intent of the union agreements is to pay for all personal leave to retiring employees.
5. Section 18.11 outlines the process of converting an employee's leave balance when an employee transfers from a 56 hour work week to a 40 hour work week, and vice versa. Since a 56 hour employee would need to charge more hours to take a day off than a 40-

hour employee, the leave balance must be converted by a factor so that the employee's balance is not over/understated. The union agreements cover the conversion of holiday leave only, although JFRD converts all types of leave.

Recommendations to Opportunity for Improvement 1

We recommend JFRD and the Employee Services Department propose revisions to the union agreement sections referenced above when the contracts are up for negotiation (current contracts expire 9/30/15). Specifically, the revisions should:

1. Define "day" for purposes of determining the dry cleaning/laundry allowance and add language allowing for proration of the allowance when an employee does not work (or is not on paid leave) for at least ten days in any month of the quarter.
2. Add a requirement that employees must work or be on paid leave for a minimum of ten days each month of the quarter in order to be eligible for the supplemental meal/clothing allowance. "Day" should also be defined for purposes of determining the supplemental allowance. Language similar to recommendation one above should also be added in regards to the proration.
3. Update language regarding the transfer allowance payments to allow for the allowance to be payable each pay period, instead of quarterly.
4. Eliminate the 120 day limitation for leave payouts for retiring employees.
5. Expand language regarding the conversion of holiday leave balances for employees who transfer from a 56 hour week to a 40 hour week (or vice versa) to include all types of leave.

Auditee Response to Opportunity for Improvement 1

Agree Disagree Partially Agree

JFRD agrees updates are necessary to the IAFF collective bargaining agreement so language above matches past practice. These recommendations will be forwarded to Employee Services for consideration during the collective bargaining process.

Opportunity for Improvement 2 *Making Payroll More Uniform*

The City has the opportunity to change the payment method of incentive pay from monthly to biweekly for all fixed monthly incentives, ultimately allowing for a more uniform biweekly payment. We reviewed different incentives addressed in the collective bargaining agreements and noted that the agreements specify the amounts that employees are entitled to per month, quarter and year, but do not specify how often the payments should be made to employees. We noted that all monthly fixed incentives are paid on a monthly basis except for the City education incentive, which is paid on a biweekly basis. Switching to biweekly pay for all fixed monthly incentives would smooth out payroll expenses throughout the year and decrease the likelihood of calculation errors for purchase price of the time service connections done by the Police and Fire Pension Fund. Finally, the net amount paid to employees would become more consistent, which would improve the employees' ability to recognize payroll errors.

Recommendation to Opportunity for Improvement 2

We recommend the Employee Services Department and JFRD look into changing the payment method for all fixed monthly incentives from monthly to biweekly. We made the same recommendation in audit report #736 on the Police and Fire Pension Fund released on July 18, 2013.

Auditee Response to Opportunity for Improvement 2

Agree Disagree Partially Agree

The JFRD agrees that moving monthly incentive payments, paid on the last paycheck of the month should be paid on a biweekly basis. This would assist management in reviewing payroll expenses throughout the year making it easier for management to analyze the expenses. It would also decrease the likelihood of calculation errors for purchase price of the time service connections done by the Police and Fire Pension Fund. Also, the net amount paid to employees would become more consistent as well which would improve our employees' ability to recognize payroll errors. The JFRD agreed with the findings in audit report #736 and will work with Employee Services and ITD to implement this change in incentive pay frequency to biweekly payments, where practical.

Opportunity for Improvement 3 *Improvements to RMS*

JFRD has the opportunity to strengthen password settings for its timekeeping system (RMS). We observed that the log-in screen contained three fields: "Employee ID", "PIN", "Codeword". We reviewed the password settings and found various problems as follows:

1. There is no system requirement to periodically change the codeword.
2. The four digit PIN number could not be changed by the user.
3. Users are not locked out if they unsuccessfully attempted to log in, no matter how many times they tried.
4. Users are not restricted from reusing previous codewords.
5. Users are not required to change codewords or PINs when users log in for the first time.
6. The codeword has to be only four characters long and does not have to be a combination of letters, numbers and symbols.

Also, JFRD could also improve RMS reports to make reviews done by JFRD payroll staff more efficient.

1. JFRD employees have to work (or be on paid leave) a certain minimum number of days per month to be eligible to receive various allowance payments. The eligibility review procedure is based on the manual review of five different reports that list unpaid leave days claimed by employees. Each line in these reports is for a certain employee for a certain date. A total number of unpaid leave days needs to be manually calculated for each employee on those reports, and if that number meets a certain threshold, an additional review is conducted, and adjustments are made as needed. Therefore, the review process is cumbersome, and ineligibility might not always be detected. For example, while testing the third quarter of FY 2013/14 reports, we found that one employee received quarterly allowance payments in the amount of \$96 that they were not

eligible to receive due to the attendance restrictions. The overpayment was recovered in January 2015 after our inquiry was made.

2. The Out of Class Pay report lists all employees claiming out of class pay and is utilized to review eligibility to receive Out of Class Pay. Currently, JFRD payroll staff reviews this report line by line. The design of the output report simply provides users with a list of all entries instead of pointing out entries that are likely to contain errors. This report could be modified so it would distinctly mark claims which are likely to be rejected since most of the rejections are due to a situation when there is a request to pay out of class pay for the same position for two employees when only one such position is authorized.

Recommendation to Opportunity for Improvement 3

We recommend JFRD look into strengthening RMS password settings and consider modifying RMS-generated reports to better fit the needs of the end users and ultimately improve the efficiency of the payroll process.

Auditee Response to Opportunity for Improvement 3

Agree Disagree Partially Agree

The JFRD will work with ITD to determine if the RMS password settings align with the COJ policy in terms of security or if added protection is necessary. It should be noted, RMS has three access fields to gain entry to the system. If strengthening is required, JFRD will work with ITD to upgrade the security and this item will be added to the RMS maintenance and upgrade list for ITD's review and completion. RMS validation rules and report development improvements are on-going and consistently being implemented in the RMS system to improve efficiency of the payroll process.

Opportunity for Improvement 4 *Reducing Printing Costs*

JFRD has the opportunity to reduce paper and printing waste. Every two weeks, JFRD payroll staff prints and stores approximately 1,750 pages related to payroll. We estimate that printing costs alone total \$70 per pay period or \$1,820 per year. By utilizing technology, JFRD could reduce printing and paper costs as well as any storage costs.

Recommendation to Opportunity for Improvement 4

We recommend JFRD reconsider the policy of printing and filing each payroll batch in favor of only storing batches electronically. Only formats that do not allow future altering should be used for electronic reports.

Auditee Response to Opportunity for Improvement 4

Agree Disagree Partially Agree

The JFRD has since purchased Adobe and established payroll folders with limited accessibility to electronically store all payroll documents in a .pdf format to eliminate printing costs.

Opportunity for Improvement 5 *Tracking FMLA/Military Leave in HRMS*

The City can improve and further automate the payroll process by adding the capability to track available leave balances for all leave types in the City’s payroll system (HRMS). When an employee is placed on FMLA or Military leave, JFRD staff manually tracks the employee’s available FMLA or Military leave balance in an Excel spreadsheet and manually updates it each pay period to determine the remaining balance. It is a manual process because HRMS does not currently have the capability to track FMLA or Military leave balances; however, it does track the balances for other types of leave (for example, annual leave). Per ITD, a project was originally scheduled for FY 2013/14 to make HRMS capable of tracking FMLA leave balances. However, this project was pushed back. Adding the ability for leave balances to be automatically tracked in HRMS would likely reduce the risk of human error or data manipulation and help to ensure leave is used in compliance with the applicable laws.

Recommendation to Opportunity for Improvement 5

We recommend the Employee Services Department request that ITD initiate the project of adding leave tracking capability to HRMS for FMLA leave and consider taking same actions for all other leave that is not presently tracked.

Auditee Response to Opportunity for Improvement 5

Agree Disagree Partially Agree

Employee Services is working with IT to better track both FMLA and military leave in the Oracle system. IT recently created a new pay element.

Opportunity for Improvement 6 *Automating Conversion Process in HRMS*

The City could automate the process of converting employees’ schedule from a 56 (field employees) hour work week basis to a 40 (office employees) hour work week basis (and vice versa) in HRMS. When an employee’s schedule changes (for example, due to injury and temporary inability to work in the field), certain conversion steps have to be taken. For example, the leave balance has to be adjusted by the ratio of 40/56 or 56/40. This is process is manual, though it appears that discussions about automating it have taken place in the past. Automating this process would not just improve the efficiency, but would also help to lower the risk of input errors. For example, we found that for 173 paychecks where we tested pay other than regular wages, three were incorrect due to conversion calculations. Those three employees were working on a 56 hour per week basis but received pay that was partially calculated on a 40 hour per week basis. It happened due to an employee who was responsible for conversion process failing to update rates for certain type of pay for those employees, so they were overpaid \$42.56 in a total. While this amount appears to be relatively small, the overpayments would most likely continue to grow until the calculations are corrected.

Recommendation to Opportunity for Improvement 6

We recommend that the Employee Services Department automate the conversion process in HRMS. We also recommend JFRD manually correct the hourly rates in HRMS for the three employees as discussed above.

Auditee Response to Opportunity for Improvement 6

Agree Disagree Partially Agree

Employee Services, ITD and JFRD are currently working together to automate the 56/40 hour conversion process and establish an interface from RMS of accruals, usage and leave balances of the various employee leave banks to update the Oracle balances. This recommendation will be added to the RMS maintenance and upgrade list for ITD's review and completion. The implementation of this interface would eliminate numerous paper 440's to correct leave accruals, usage and balances in the various leave banks in Oracle. All conversions of leave are currently automated in the RMS system, but not in the Oracle payroll system. It should be noted that employees request leave in the RMS system, not Oracle payroll so the converted balances are accurately reflected when an employee applies for leave.

We appreciate the assistance and cooperation we received from the Jacksonville Fire and Rescue Department, the Employee Services Department, the Information Technologies Division and the Accounting Division (Central Payroll Office) throughout the course of this audit.

Respectfully submitted,

Kirk A. Sherman, CPA
Council Auditor

Audit Performed By:

Kim Taylor, CPA
Elena Korsakova, CPA
Sean Costigan, CPA
Aaron Wilkins