



Council Auditor's Office

Jacksonville Fire and Rescue Department Payroll Audit Follow-up Report

Report #770A

Released on: November 2, 2018

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



November 2, 2018

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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 our past report #770, Jacksonville Fire and Rescue Department Payroll Audit, and 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. The initial audit report can be found on our website.

We reviewed our recommendations and the auditees' responses from the original audit report. We sent a follow-up letter to the Jacksonville Fire and Rescue Department (JFRD) on December 1, 2017 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 to verify JFRD's responses. Based on the responses received and our follow-up testing, a table detailing the original number of issues noted and the number of issues resolved as of this follow-up is included below.

| Types of Issues | Original Number of Issues | Issues Cleared | Remaining Issues |
|-------------------------------|----------------------------------|-----------------------|-------------------------|
| Internal Control Weaknesses | 4 | 4 | 0 |
| Findings | 11 | 9 | 2 |
| Opportunities for Improvement | 6 | 3 | 3 |
| Total | 21 | 16 | 5 |

The following is a brief summary of the remaining issues with responses from JFRD that we received on October 25, 2018.

Finding 2 *Issues with Military Pay*

Finding 2 in the original audit found various issues with the calculation and processing of supplemental payments to employees on military leave. The City makes supplemental payments to employees in the amount necessary to offset any reduction in pay an employee may receive while they are out on military leave. This means, if the employee's military pay was less than their City base pay with incentives, the City would make a payment for the difference, but if the military pay

was higher, the City would not make a supplemental payment. The issues we found in the original audit included the employees only being required to provide one Military Leave and Earnings Statement (LES), not including all pay from the LES in the calculations, and not stopping the payment of incentives even though they are included in the supplemental pay calculation.

For JFRD, we recommended that they attempt to recover the \$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 in the calculation of supplemental pay. We were able to confirm \$17,199.25 was recovered.

For the Employee Services Department, we recommended that they:

- 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 to help ensure the accuracy of the 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 a uniform and consistent process is in place to minimize any risks of employees being paid incorrectly; and
- 5) update the Military Leave Directive so hazardous duty incentive is officially included in the calculation of supplemental military pay

During the follow-up review, we performed testing to see if our recommendations for the Employee Services Department were addressed. We found the following:

- 1) No second LES was on file for two (2) out of two (2) JFRD employees who received supplemental pay for over 6 months (a new LES is required when military pay changes or after 6 months, whichever comes first). No reconciliation is prepared throughout the time period an employee is on military leave or when an employee returns (except for JSO where LES forms are continuously required which appears to be a longstanding practice).
- 2) Only one (1) LES form is required to be provided for supplemental military pay (except for JSO as explained above).
- 3) Issue was addressed.
- 4) Issue was addressed.
- 5) Issue was addressed.

To address the outstanding issues, we recommend that the Employee Services Department adopt one of the following procedures or create another procedure to achieve the same goal.

- 1) Request two (2) LES forms when setting up supplemental pay and another LES after 6 months or when pay changes (whichever comes first); or
- 2) Prepare a reconciliation when an employee returns by obtaining all LES forms for the leave period; or
- 3) Continuously require LES forms to be submitted throughout the leave period and continuously adjust payments based on the data provided.

Employee Services Department Response to the Follow-Up of Finding 2

Agree

Disagree

Partially Agree

Employee Services will include a double check for each of the above. The LES statement will be requested every two weeks, which is the practice that is currently being used at JSO. Receipt of the LES will be tracked on a spreadsheet. All data from the LES will be included in the calculation and incentive payments meant to be stopped will be stopped. These changes will be implemented immediately. Employee Services has identified one staff person within the department to handle all military leave requests. Employee Services will meet with employees being deployed on active military leave and assist with required paperwork, calculate supplemental pay if applicable, and effectuate the transaction. The current policy will be revised to capture the changes. The estimated date of completion is November 30, 2018. JFRD will comply with the new policy.

Finding 3 *Overpaying Straight Time Overtime*

Finding 3 in the original audit found a systematic issue with the calculation of straight time overtime pay. The rate used included incentives although incentives were paid out separately. This practice caused a slight overpayment for straight time overtime pay. We recommended for the Employee Services Department to change the calculation of the hourly rate for straight time overtime in the City's payroll system HRMS, so it is simply the employee's hourly base pay rate.

During the follow-up review, we performed testing to see if our recommendation had been implemented. We found that a new element was created in HRMS; however, since a similar element was not added to the JFRD's timekeeping system (RMS), the new element in HRMS is not being utilized.

We recommend that the new element be created in the JFRD timekeeping system to help ensure straight time overtime is properly calculated.

JFRD Response to the Follow-Up of Finding 3

Agree

Disagree

Partially Agree

A new straight time pay element has been developed in HRMS to include only the employee's base pay rate. JFRD and ITD are working together to develop requirements to automate and appropriately apply the straight time pay and straight time overtime pay elements in the Resource Management System (RMS) of JFRD. Expected testing and implementation of this update in the RMS is January 9, 2019.

Opportunity for Improvement 1 *Collective Bargaining Agreements Language*

Opportunity for Improvement 1 in the original audit found that the City had the opportunity to improve consistency between the collective bargaining agreements for JFRD and current payroll practices by revising the agreements during the next round of negotiations. Per JFRD, this

recommendation has not yet been implemented, but it was forwarded to the Employee Services Department. Employee Services stated that it is working to see if they can address any of the items not already resolved.

JFRD Response to the Follow-Up of Opportunity for Improvement 1

Agree Disagree Partially Agree

Labor Relations was able to successfully bargain new language to address holiday formula discrepancy in the tentative 2017-2020 IAFF Collective Bargaining Agreement. However, not all audit recommendations were addressed in collective bargaining and will need additional discussions with IAFF. Labor Relations will continue to work with the IAFF concerning these outstanding items.

Opportunity for Improvement 3 *Improvements to RMS*

Opportunity for Improvement 3 in the original audit found that JFRD could improve the password settings for its timekeeping system (RMS) and improve the design of the reports used to determine eligibility for certain types of payments. During the follow-up review, we inquired about both of those issues. It appears that password settings were improved; however, there were no changes made to the system reports. JFRD payroll staff still has to review various reports and perform manual calculations to determine if employees are eligible to receive contractual allowances and out of class pay.

We recommend that JFRD work with the Information Technologies Division to modify the design of the existing reports or create new reports that would eliminate the need to review various reports and perform manual calculations in order to determine if an employee is eligible for contractual allowances and out of class pay.

JFRD Response to the Follow-Up of Opportunity for Improvement 3

Agree Disagree Partially Agree

The RMS password settings were updated in May 2016, to include requiring password changes every 90 days, inclusion of 8-12 character's in length, at least one lowercase letter, one uppercase letter, at least one numeric digit and at least one special character to gain access. RMS report updates are on-going to improve efficiency of the payroll process. Validation rules for Fire Prevention out of position pay were implemented in August 2018, and JFRD and ITD are working together to complete testing of the clothing and meal allowance batch interface files to further eliminate manual entries and calculations. This work should be completed and implemented by late January, 2019.

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

Opportunity for Improvement 5 in the original audit found that the City could improve and further automate the payroll process by adding the capability to track available leave balance for FMLA leave in the City's payroll system (HRMS). Staff had to manually track the employee's available

leave balance in a spreadsheet and manually update it each pay period to determine the remaining balance. The project was scheduled for FY 2013/14 to enable the system to track FMLA leave balance, but it was pushed back. It is our understanding that for JSO and other City employees, this has been added to the HRMS, but JFRD chose to have this incorporated into JFRD's timekeeping system (RMS) instead due to the conversion of leave process. However, this has not yet been implemented.

We recommend JFRD continue working with the Information Technologies Division to add the capability to track the available leave balance for FMLA in either the HRMS or RMS system.

JFRD Response to the Follow-Up of Opportunity for Improvement 5

Agree

Disagree

Partially Agree

JFRD determined that the process developed by Employee Services for COJ and JSO employees would not provide daily tracking of an employee's FMLA usage and available time due to the frequent conversion of Firefighter work schedules and leave. Employee Services, JFRD and ITD are working together to develop requirements to build the FMLA rolling calendar in RMS where the conversions of leave and available balances are completed based on an employee's daily work schedule. The estimated completion date of this item is April 24, 2019. The FMLA rolling calendar will continue to be updated manually in a spreadsheet until such time as this is automated in the RMS.

We would like to thank JFRD, the Employee Services Department, and the Information Technologies Division for their cooperation in conducting this follow-up review.

Sincerely,

Kyle S. Billy

Kyle S. Billy, CPA
Council Auditor