

# **Audit Follow-up**

**As of September 30, 2013**



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City Auditor

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

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

Report #1403

December 3, 2013

### **Summary**

This is the second follow-up on the Audit of Selected Departments' Leave and Attendance Processes and Transactions, Report #1218, issued September 5, 2012. During the original audit, we noted that overall, recorded leave and attendance transactions tested were materially accurate. However, we did note several instances of noncompliance with City policies; most of which had no monetary impact. Management developed 16 action plan steps to address the report recommendations. As of September 30, 2013, all action plan steps were due to be completed. Ten steps were completed in the prior follow-up period and three were completed during this follow-up period. The three remaining steps relate to the purchase of a new time and attendance system and training.

The three steps completed during this follow-up period include:

- 1) Ensuring employees sign their own name on timesheets asserting to the accuracy of recorded time worked and leave taken. Our limited testing during this follow-up period showed that Hilaman Golf Course (Hilaman) completed this step. [The Electric Utility (Electric); Public Works; and Parks, Recreation and Neighborhood Affairs (PRNA) completed this step in the prior follow-up period.]
- 2) Ensuring supervisors consistently review and approve employee timesheets indicating they concur with employee assertions of time worked and leave taken. Our limited testing during this follow-up period showed that

Public Works and PRNA completed this step. [Electric and Hilaman completed this step in the prior follow-up period.]

- 3) Resolving the overpayment issue at Hilaman. The applicable employee started repaying the City through monthly payroll deductions.

The three steps in progress or behind schedule include:

- Ensuring the new time and attendance system the City acquires has the capability of preventing leave entries for employees without adequate leave balances, so that negative leave balances will not occur. The Department of Management and Administration (DMA) is seeking final approvals to purchase a new time and attendance system by the end of the 2013 calendar year. DMA management reports that the time and attendance system being considered has the capability of preventing negative leave balances and DMA intends to implement this control. The anticipated completion date for this step has been amended from June 30, 2014, to September 30, 2014.
- Providing training to timekeeping staff and supervisors on how to apply applicable laws, rules, and policies related to timekeeping responsibilities, with special attention being placed on the processing of pre-approved personal leave (two action plan steps). DMA management plans to incorporate the training with the implementation of the new time and attendance system. The anticipated completion dates for the two applicable steps have been amended to September 30, 2014.

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

**Scope, Objectives, and Methodology**

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

**Original Report #1218**

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

Specifically, our objectives were to determine whether:

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

**Report #1403**

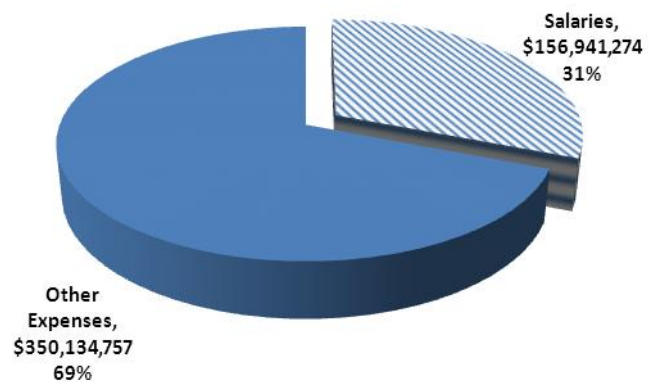
This is our second follow-up on action plan steps identified in audit report #1218. The purpose of this follow-up audit is to report on the progress and status of efforts to complete action plan steps due for completion as of September 30, 2013. To determine the status of the action plan steps, we inquired of and interviewed staff, reviewed relevant documentation, and conducted limited detailed testing of timesheets to assess the accuracy

of timesheets and determine if processes were put in place to ensure compliance with policies that had been violated during the original audit.

**Background**

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

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



Source: FY 2011 City Financial System Accounting Reports

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

compensation-related documentation. Examples of such laws and policies include:

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

Leave and attendance encompasses the development and management of human resources policies and procedures, employees performing work and taking leave, and entry of type and amount of work performed and leave taken for each employee into the City’s time and attendance system. This information is then used in the preparation and disbursement of payroll to employees. These duties are performed in different departments and divisions throughout the City, starting with employees working (or taking leave) through the distribution of payroll.

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

organizational development and strategic planning support.

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

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

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

***Previous Conditions and Current Status***

In report #1218, we provided recommendations to City management in areas related to the management of leave and attendance. To address our recommendations, City management developed an Action Plan consisting of 16 action plan steps. All action plan steps were due by September 30, 2013. Ten steps were completed during the prior follow-up period as reported in our initial follow-up report (#1317). The status of the remaining six steps is provided in Table 1 below.

**Table 1**  
**Action Plan Steps from Audit Report #1218**  
**Due as of September 30, 2013, and Current Status**

Action Plan Steps Due as of September 30, 2013	Current Status
<i>To improve compliance with governing laws, rules, and policies and procedures.</i>	
<ul style="list-style-type: none"> <li>Human Resources to provide training to timekeepers on how to apply applicable laws, rules, and policies related to timekeeping responsibilities. <i>[Report #1218 Action Plan Step A.1]</i></li> </ul>	<ul style="list-style-type: none"> <li>○ <b>Behind Schedule.</b> DMA anticipates finishing implementation of a new time and attendance system by the end of September 2014. To avoid duplicate training efforts, DMA indicated that necessary training on applicable laws, rules, and policies will be provided to timekeepers concurrently with and subsequent to implementation of that system. The anticipated completion date has been revised to September 30, 2014.</li> </ul>
<ul style="list-style-type: none"> <li>Each of the audited four areas (Electric, Public Works, PRNA, and Hilaman) to ensure employees sign their own name on timesheets asserting to the accuracy of recorded time worked and leave taken. <i>[Report #1218 Action Plan Step A.2]</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed for Hilaman.</b> Our limited testing of employee timesheets showed that, overall (in 18 of 19 sampled instances), employees were signing/initialing their timesheets and the recorded time worked and leave taken were accurate.                      [Electric, Public Works, and PRNA completed this step in the prior follow-up period.]</li> </ul>
<ul style="list-style-type: none"> <li>Each of the four audited areas to ensure supervisors consistently review and approve employee timesheets indicating they concur with employee assertions of time worked and leave taken. <i>[Report #1218 Action Plan Step A.3]</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed for Public Works and PRNA.</b> Our limited testing of employee timesheets showed no exceptions, as applicable supervisors approved each of the sampled timesheets.                      [Electric and Hilaman completed this step in the prior follow-up period.]</li> </ul>
<ul style="list-style-type: none"> <li>PRNA work with Human Resources and Payroll to define a new pay code to pay lifeguards the appropriate rate of pay for the actual number of hours they work. <i>[Report #1218 Action Plan Step A.4]</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed in the prior period.</b></li> </ul>
<ul style="list-style-type: none"> <li>Payroll notify either the department director or immediate supervisor of the employees with negative leave balances in their department for them to address and prevent from reoccurring. <i>[Report #1218 Action Plan Step A.5]</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed in the prior period.</b>  <u>Audit Comment:</u> In our initial follow-up report (#1317) we reported this step was completed through DMA’s development of a system query that enables timekeepers to monitor for employee negative leave balances. Timekeepers are responsible for communicating negative leave</li> </ul>

	<p>balances identified through that query to their department directors and supervisors so corrective actions can be taken. We reported that we would perform additional testing during the next follow-up period (covered by this follow-up engagement) to determine if departments were effectively using this query. Our current follow up showed that Payroll continues to send out periodic notices to remind timekeepers of the query and its use. To determine if those efforts were effective, as part of our current follow-up procedures, we identified employees with negative leave balances for two pay periods. We found there were 11 employees with negative leave balances as of October 9, 2013, and 16 employees with negative leave balances as of November 1, 2013. That number of employees with negative leave balances indicates that the current controls are not working as effectively as intended in all departments.</p> <p>Until a new system is implemented that prevents negative leave balances, we recommend efforts be enhanced to monitor for and preclude negative leave balances.</p>
<ul style="list-style-type: none"> <li>Each department to implement a process to regularly check the leave balances for employees in their departments to prevent employees from having negative leave balances. <i>[Report #1218 Action Plan Step A.6]</i></li> </ul>	<p>✓ <b>Completed in the prior period.</b></p>
<ul style="list-style-type: none"> <li>DMA, during their evaluation of a new time and attendance system, ensure that the new system has the capability of preventing leave entries when there are not adequate leave balances so negative leave balances will not exist. <i>[Report #1218 Action Plan Step A.7]</i></li> </ul>	<p>◆ <b>In progress.</b> As of September 30, 2013, a new time and attendance system had not yet been purchased. However, based on a recently completed cost benefit analysis of available systems, DMA identified a new system that it believes will address the City’s needs. DMA obtained approval in November 2013 from the City’s Information System Services (ISS) Steering Committee for the new system. DMA indicated the intent to obtain remaining approvals for that system by the end of calendar year 2013. DMA indicated the system under consideration has the capability of preventing negative leave balances among its various features and their intent is to implement that control. The anticipated completion date has been amended from June 30, 2014, to September 30, 2014.</p>

<ul style="list-style-type: none"> <li>Human Resources provide training to department timekeeping staff and supervisors as to what pre-approved personal (PAPER) leave is and how it is to be used. [Report #1218 Action Plan Step A.8]</li> </ul>	<ul style="list-style-type: none"> <li><b>Behind Schedule.</b> DMA anticipates implementation of a new time and attendance system by the end of September 2014. To avoid duplicate training efforts, DMA indicated that necessary training on the use of PAPER leave will be provided to timekeepers concurrently with and subsequent to implementation of that system. The anticipated completion date has been revised to September 30, 2014.</li> </ul>
<ul style="list-style-type: none"> <li>Human Resources revise policy to address instances when employees are eligible and not eligible for on-call duty pay, such as when employees are out on leave unless responding to emergency conditions. [Report #1218 Action Plan Step A.9]</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed in the prior period.</b></li> </ul>
<p><b><i>To improve the accuracy of leave and attendance transactions.</i></b></p>	
<ul style="list-style-type: none"> <li>Hilaman management should consider utilizing a timesheet with existing calculations to assist staff and supervisors accurately calculate time worked. [Report #1218 Action Plan Step B.1]</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed in the prior period.</b></li> </ul>
<ul style="list-style-type: none"> <li>Hilaman staff to take more care in calculating hours worked or implement a different method of recording time to ensure that employees are paid correct amounts. [Report #1218 Action Plan Step B.2]</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed in the prior period.</b></li> </ul>
<ul style="list-style-type: none"> <li>UBCS should work with Human Resources to resolve the overpayment issue related to the incorrect payout of compensatory time. [Report #1218 Action Plan Step B.3]</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed.</b> This step has been resolved. In June 2013, the applicable employee started repaying the overpayment to the City through payroll deductions.</li> </ul>
<ul style="list-style-type: none"> <li>Electric to work with Payroll to implement a new leave code for reporting of “rest time.” [Report #1218 Action Plan Step B.4]</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed in the prior period.</b></li> </ul>
<p><b><i>To improve the internal controls related to recording time and attendance transactions.</i></b></p>	
<ul style="list-style-type: none"> <li>DMA/Payroll to implement system access controls to prevent timekeepers from entering their own leave and attendance transactions, or alternatively, implement compensating controls to adequately monitor leave and attendance transactions related to timekeepers. [Report #1218 Action Plan Step C.1]</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed in the prior period.</b></li> </ul>

<ul style="list-style-type: none"> <li>• Payroll to develop and make available a query for departments to monitor the leave balances of their employees to ensure that employees have leave balances before recording leave taken, or to enter leave without pay. [Report #1218 Action Plan Step C.2]</li> </ul>	<p>✓ <b>Completed in the prior period.</b></p>
<ul style="list-style-type: none"> <li>• The Budget Office and UBCS should work together to change the cost center for golf courses to the correct department. [Report #1218 Action Plan Step C.3]</li> </ul>	<p>✓ <b>Completed in the prior period.</b></p>

**Table Legend:**

- Issue to be addressed from the original audit

- ✓ Completed
- ◆ In progress
- Behind Schedule

**Conclusion**

As described above, each of the 16 action plan steps developed to address issues identified in our initial audit was due for completion as of September 30, 2013. As shown in Table 1 above, 10 steps were completed in the prior follow-up period, three steps were completed during this follow-up period, and the three remaining steps are either in progress or behind schedule.

DMA anticipates completing the remaining three steps by September 2014. Those three steps, which relate to the purchase and implementation of a new citywide time and attendance system and training, include:

- Ensuring the new time and attendance system the City acquires has the capability of preventing leave entries for employees that do not have adequate leave balances.
- Providing training to timekeeping staff and supervisors on how to apply applicable laws, rules, and policies related to timekeeping responsibilities, with special attention being placed on the processing of pre-approved personal leave (two action plan steps).

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

**Appointed Official's Response**

I am pleased to see that the second follow-up on the Audit of Selected Departments' Leave and Attendance Processes and Transactions indicates that 13 out of the 16 steps have been completed and actions are on-going to complete the 3 remaining steps. Additionally, I am extremely pleased that the overall scope of the audit indicated that recorded leave and attendance transactions tested were materially accurate. I would like to thank the City Auditor's Office as well as all of the departments for their work and follow-up on this audit.

Copies of this audit follow-up #1403 or the original audit report #1218 may be obtained from the City Auditor's website (<http://talgov.com/auditing/index.cfm>) or via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (Office of the City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail ([auditors@talgov.com](mailto:auditors@talgov.com)).

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