



April 25, 2019

Performance Audit

Payroll Audit

Department of Municipal Development

Report No. 17-104



**CITY OF ALBUQUERQUE
OFFICE OF INTERNAL AUDIT**

PERFORMANCE AUDIT REPORT
PAYROLL AUDIT
DEPARTMENT OF MUNICIPAL DEVELOPMENT
REPORT NO. 17-104

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Payroll Audit-Department of Municipal Development

Performance Audit

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Audit #17-104

The purpose of this audit is to determine whether the Department of Municipal Development (DMD) has an effective process for approving employee timecards and maintaining approval documentation for leave and specialty time taken.

Executive Summary

KRONOS Workforce Central (KRONOS) and Oracle PeopleSoft Enterprise Resource Planning (PeopleSoft) are the systems used to process payroll for DMD.

Employee time (timecard data) is entered, reviewed, and approved in KRONOS throughout each pay period. At the end of each pay period, KRONOS transfers timecard data to PeopleSoft. PeopleSoft processes this information, which results in the issuance and payment of employee payroll.

This audit primarily focused on the three phases that payroll can be altered. Payroll can be altered in:

- KRONOS prior to the end of each pay period,
- PeopleSoft after the data is pushed from KRONOS until the date of payment, and
- PeopleSoft after the payment date by the City's Payroll staff.

The audit determined that DMD does not have a process to ensure the consistent maintenance of supporting documentation and approval for the types of leave, special pay, and timecard alterations that require such controls. DMD paid approximately \$176 thousand in unsupported/unapproved wages for the tested transactions during the scope of this audit.

In addition, DMD and all other City Departments are not ensuring employees and supervisors are completing the timecard approval process at the end of each pay period prior to payroll processing.

DMD and the CAO agree with the findings and recommendations.

Recommendations

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DMD should:

- Review internal controls, develop processes, and assign responsibility to ensure compliance with City and Department specific regulations for the payroll processing phases outlined below:
 - KRONOS system prior to the end of each pay period.
 - PeopleSoft after the data is pushed from KRONOS until the date of payment.
 - PeopleSoft after the payment date by the Administration's Payroll staff.

The CAO should develop a policy to clarify the process for reviewing and approving time for both employees and supervisors in KRONOS.

DMD should:

- Ensure employees and supervisors are reviewing and approving KRONOS timecards by the end of each pay period prior to payroll processing.
- Review approval reports and communicate to employees and supervisors that are not approving timecards.



City of Albuquerque

Office of Internal Audit

April 25, 2019

Accountability in Government Oversight Committee
P.O. Box 1293
Albuquerque, New Mexico 87103

Audit: Payroll Audit
Department of Municipal Development
Audit No. 17-104

Final

INTRODUCTION

The Office of Internal Audit (OIA) completed a performance audit of the Department of Municipal Development's (DMD) payroll for fiscal years (FY) 2017 and 2018. KRONOS Workforce Central (KRONOS) and Oracle PeopleSoft Enterprise Resource Planning (PeopleSoft) are the systems used to process payroll for DMD. This audit was added to the FY2017 audit plan following the completion of the annual OIA risk assessment. Information pertaining to the audit objectives, scope, limitations and methodology can be found in **Appendix A**.

KRONOS

The City of Albuquerque's (City's) time keeping system, KRONOS, is used to capture time, attendance, scheduling and payroll input. It is used to manage employee's work and leave time as well as track employee's work schedules. Time Recording Codes (TRCs) are input into the employee's electronic timesheet to account for regular hours worked as well as leave and special pay requests. Some of the TRCs used to record leave time require supporting documentation and approval to validate their use. For example, leave taken that falls under the Family Medical Leave Act requires a medical certification. Special pay requests require supporting documentation as well. Many of the special pay requests authorize additional wages above an employee's base salary. For example, before an employee is temporarily upgraded each department must first receive approval from the Human Resources Department. Employees who are temporarily upgraded are eligible for additional pay.

PeopleSoft

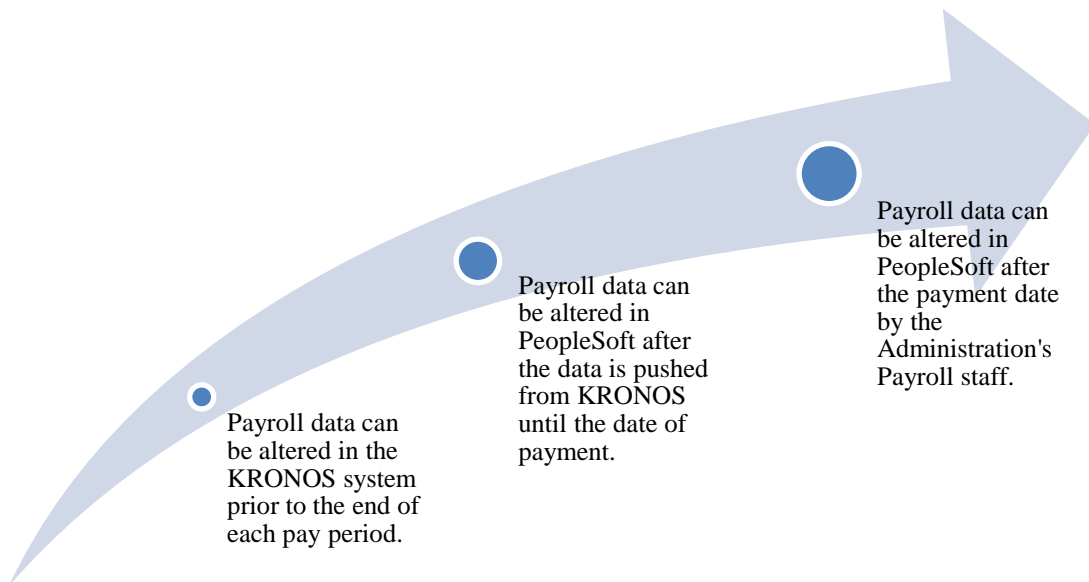
The City utilizes PeopleSoft as its primary administrative support services system of record. One of the purposes of the PeopleSoft initiative was to consolidate as many of the City's business functions such as accounting, budgeting, financial analysis, and human resources functions into a single enterprise-wide system.

PeopleSoft and other integrated Oracle solutions are capable of fulfilling most of the City's core business needs. However, the City recognizes that the need for specialized solutions not offered by the PeopleSoft system will occasionally be required.

Employee time (timecard data) is entered, reviewed, and approved in KRONOS throughout each pay period. At the end of each pay period, KRONOS transfers timecard data to PeopleSoft. PeopleSoft processes this information, which results in the issuance and payment of employee payroll.

This audit primarily focused on the three phases that payroll data can be altered for DMD employees. The three payroll processing phases are summarized in the graphic below.

Three Payroll Processing Phases that DMD Payroll Data can be Altered



Source: Discussions with City Staff, Policies and Procedures, and Training Guides

Population

The population of employees included in the scope of this audit is all employees under the authority of DMD, including those employees assigned to projects within the capital improvements program. Labor distribution reports were generated from the PeopleSoft payroll module for FYs 2017 and 2018, which include total hours of 1.9 million and payroll of \$55.8 million for DMD. The below summary identifies the labor distribution report total hours and payroll by fiscal year.

**Summary of Total DMD Hours and Payroll
Amount by Fiscal Year**

Fiscal Year	Total Hours	Total Payroll
2017	945,661	\$28,387,681
2018	913,604	\$27,423,248
Total	1,859,265	\$55,810,929

Source: PeopleSoft

Although DMD does not maintain formal policies and procedures relative to timekeeping for their department, they generally follow the Citywide Personnel Rules and Regulations maintained by the Human Resources Department, PeopleSoft and KRONOS training guidance, and use available standard leave and overtime forms.

Internal Controls

Audits performed by OIA often involve a review of the entity’s internal controls. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) developed the Internal Control Framework (COSO Framework) to assist organizations in “designing, implementing, and conducting internal control and assessing its effectiveness.” The COSO Framework has gained global acceptance as the standard by which to compare internal controls, and OIA uses it to evaluate the design and effectiveness of the entity’s internal controls.

OIA considered applicable internal controls of DMD in performing procedures relative to the four audit objectives found in **Appendix A**. The results of the audit procedures identified opportunities for internal control improvements, such as maintaining time card documentation and approval, and approval of time cards by both the employee and supervisor.

In comparing other City departments as a whole to DMD in audit objective 2, we noted that the City is not ensuring employees and supervisors are completing the timecard approval process at the end of each pay period prior to payroll processing. City employees and supervisors do not always approve timecards in KRONOS before the data is restricted and transferred to PeopleSoft. As a result, we have included this comparison within the report to address this overall City issue.

FINDINGS

The following findings addresses areas that OIA believes could be improved by the implementation of the related recommendations.

1. DMD SHOULD ESTABLISH AN EFFECTIVE INTERNAL CONTROL PROCESS FOR MAINTAINING PAYROLL DOCUMENTATION AND APPROVAL.

DMD does not have an internal control process to ensure the consistent maintenance of supporting documentation and approval for the types of leave, special pay, and timecard alterations that require such controls. As a result, DMD does not always maintain documentation that supports the approval of the following:

- A. Leave and special pay requests;
- B. Timecard changes completed in PeopleSoft following the upload of timecard data from KRONOS until final payroll processing/payment; and
- C. Adjustments made to employee timecard data in PeopleSoft after payroll is processed.

By not maintaining documentation to support the approval of leave and special pay requests, there is no assurance mechanism to verify the accuracy and validity of timecard data, or to prevent inaccurate time recording. Furthermore, there is an increased probability of incorrect time recording, which may result in the under or overpayment of wages. Overall, DMD paid approximately \$176 thousand in unsupported/unapproved wages for the tested transactions during the scope of this audit.

Additionally, DMD is not ensuring that employees and supervisors are approving KRONOS timecards at the end of each pay period before time is processed for payroll.

City Personnel Rules and Regulations sections 400, 500, and 700 require written documentation of approval for leave and special pay codes. **Appendix B** contains a summary of excerpts from these policies.

COSO acknowledges that the organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels. According to the COSO Framework, principle 10, an authorization affirms that a transaction is valid (i.e., it represents an actual economic event or is within an entity's policy). An authorization typically takes the form of an approval by a higher level of management or of verification and a determination if the transaction is valid.

According to DMD management, "No formal training or policies were provided to address these specific issues with the implementation of KRONOS. The monitoring of changes pre and post payroll processing have not historically been performed."

The following sub-sections provide further details about the issues identified above (A through C)

A. Leave and Special Pay Requests.

Time Transactions without Supporting Documentation

OIA selected a random statistical sample of 23 DMD employees with 920 time transactions for TRCs that require supporting documentation and approval according to the City regulations. Of the 920 time transactions tested, 81 (9-percent) did not have supporting documentation or approval.

The table below summarizes the 81 time transaction exceptions for each TRC by count and percentage. For example, 21 (26-percent) of the 81 transactions that were not supported were for the TRC Sick Leave Emergency and 15 (19-percent) were for the TRC Paid Leave Other.

Summary of Time Transaction Exceptions for Each TRC by Exceptions and Percentage

Time Recording Code	Exceptions	Percentage
Sick Leave Emergency (SKE)	21	26%
Paid Leave Other (PLO)	15	19%
Sick Serious Illness (SKSI)	14	18%
Sick Family Medical (SFM)	6	7%
Jury Duty (JD)	4	6%
Overtime Contract Based (OCB)	4	6%
Stand By (ST)	3	4%
Comp Time Taken FMLA Blue Collar (CTBFM)	2	2%
Comp Time Earned Blue Collar (CTEB)	2	2%
Comp Time Earned Management Series (CTEM)	2	2%
Overtime Holiday Worked (OTH)	2	2%
Administrative Leave (ALM)	1	1%
Floating Holiday Taken FMLA Blue Collar (FHBFM)	1	1%
Floating Holiday Earned Management Series (FHSEM)	1	1%
Holiday FMLA (HOLFM)	1	1%
Injury Light Duty (ILD)	1	1%
Trainer Pay (TP)	1	1%
Total	81	100%

Source: KRONOS & PeopleSoft

Documentation supporting and authorizing these types of TRCs is critical because they do not reduce employee accrual leave balances.

Unapproved Overtime and Additional Birthday Leave

OIA also judgmentally selected and tested employees using educational leave, jury duty, birthday, and holiday leave as well as employees with recorded overtime and determined that the time postings are not always approved or supported. This resulted in DMD paying approximately \$8.7 thousand in unapproved overtime and additional birthday leave as summarized in the table below.

Summary of Issues and Effect Identified with Unapproved Overtime and Additional Birthday Leave

Issue	Effect
Sixteen overtime approval forms had less hours than what was paid, and four of the requested overtime approval documents were not provided. In total the 20 documents had 210.75 hours of unapproved overtime.	DMD paid unapproved overtime of \$6,513.
Nine employees were paid holiday overtime on dates that were not on or near a City designated holiday, and did not have supporting documentation to support the authorization of time used.	DMD paid unapproved holiday overtime of \$1,122.
Nine employees were paid for more than one birthday within the same year and authorizing documentation was not provided.	DMD paid \$1,111 to employees who were paid birthday leave more than once within the same year.

Source: KRONOS & PeopleSoft

DMD requires overtime to be documented and approved on the Additional Hours and Standby Time Approval Form.

The following City Personnel Rules and Regulations for overtime and birthday leave state ***[emphasis added]***:

- *Section 7.2.1 of the J - Series Union Agreement states, "An Employee may, during the month of December, for the following year, specify **in writing** to the department head which of the holidays the Employee wishes to take on days other than the dates designated above."*
- *Section 401.1 A of the City Personnel Rules and Regulations states, Birthday Leave is granted to any employee in "active status" as of January 1st of the calendar year. Birthday leave is a personal holiday, which leave must be used no later than midnight December 31st of the year accrued and,*

absent exceptional circumstances (which may only be approved by the Chief Administrative Officer), may not be carried over to the next calendar year.

Administrative Leave, Trainer Pay, Temporary Upgrade, Standby, and Call Back
 OIA judgmentally selected individuals with the largest amounts of time recorded to Administrative Leave, Trainer Pay, Temporary Upgrade, Standby, and Call Back and determined that DMD does not always maintain documentation that supports the authorization of such time resulting in 8,984 unsupported hours as summarized in the table below. Additionally, the average hourly wage for non-exempt City employees during the audited time-period was \$18.58 per hour. Approximately, \$167 thousand of the time entries were unsupported.

Summary of Supported & Unsupported Time Entries by Hours and Percentage

Description	Hours			Percentage	
	Supported	Unsupported	Total	Supported	Unsupported
Temporary Upgrade	3,680	7,414	11,094	33%	67%
Administrative Leave	590	1,364	1,954	30%	70%
Trainer Pay	132	64	196	67%	33%
Call Back	79	38	117	68%	32%
Standby	48	104	152	32%	68%
Total	4,529	8,984	13,513		

Source: KRONOS & PeopleSoft

The City Personnel Rules and Regulations state *[emphasis added]*,

- *Requests for temporary upgrades **must be submitted in writing** to Human Resources identifying the circumstances and why the request is being submitted. Requests for temporary upgrades are reviewed **and approved** by the Human Resources Director. Employees temporarily upgraded shall be compensated for actual hours worked.*
- *Section 402.6 Administrative Leave - Chief Administrative Officer **approval must** be obtained prior to placing an employee on administrative leave.*
- *Administrative leave with pay may **be authorized** by the Chief Administrative Officer for services or activities of employees outside*

the scope of their employment, which can reasonably be anticipated, directly or indirectly, to benefit the City. Such leave will not exceed eighty (80) hours.

- *An employee may be placed in administrative leave status during the period of an investigation. Such leave may be given with or without pay for good and sufficient reason that the Chief Administrative Officer considers to be in the best interest of the City service. Administrative leave during an investigation shall be limited to thirty (30) workdays. Administrative leave in excess of fifteen (15) workdays **shall require approval** by a committee composed of the Director of the Human Resources Department, the Director of the Office of Employee Relations and the City Attorney or their designees. During this period of time, the Chief Administrative Officer may assign the employee duties and responsibilities that are of benefit to the City.*

DMD also requires that:

- Call Back and Standby time are tracked, monitored, and approved on the Overtime and Standby Time Approval Form; and
- Trainer Pay is tracked, monitored, and approved on a Certification Training Program and On the Job Training Log Sheet.

B. Timecard Changes Completed in Peoplesoft Following the Upload of Timecard Data from KRONOS Until Final Payroll Processing/Payment.

OIA selected a random statistical sample of 24-timecard entry changes completed in PeopleSoft, following the upload of timecard data from KRONOS up to final payroll processing. Of the 24-timecard entry changes tested, 6 did not have supporting documentation to support proper authorization.

Without prior verification and approval of payroll entry changes, DMD cannot provide assurance for such changes or prevent inaccurate time recording. This increases the probability of inaccuracies in time recording potentially resulting in the underpayment or overpayment of wages. DMD paid \$242 in unapproved overtime for timecard changes that did not have authorizing supporting documentation.

DMD requires overtime to be documented on the Additional Hours and Standby Time Approval Form.

According to each of the collective bargaining agreements, compensatory time

must be approved or mutually agreed to before being worked.

City Personnel Rules and Regulations, state *[emphasis added]*:

- *Section 402.5 B - An employee may be granted leave without pay under certain conditions. Requests for leave without pay of up to two (2) calendar weeks **may be approved** by the department director. The Chief Administrative Officer **must approve** requests for more than two (2) calendar weeks but not exceeding twelve (12) months.*
- *Section 702 - for temporary upgrades must be submitted **in writing** to Human Resources identifying the circumstances and why the request is being submitted. Requests for temporary upgrades are reviewed and **approved** by the Human Resources Director. Employees temporarily upgraded shall be compensated for actual hours worked.*

C. Adjustments Made to Employee Timecard Data in PeopleSoft After Payroll is Processed.

OIA selected a random statistical sample of 23-timecard changes that were made following payroll processing. Of the 23-timecard changes tested, 4 did not have supporting documentation to support the timecard adjustments. As a result, DMD paid unapproved overtime of \$262.

Without prior verification and approval of payroll entry changes, DMD cannot provide assurance for such changes or prevent inaccurate time recording. This increases the probability of inaccuracies in time recording potentially resulting in the underpayment or overpayment of wages.

DMD requires:

- Overtime to be documented and approved on the Additional Hours and Standby Time Approval Form, which is signed by the employee, his/her supervisor, and the division manager; and
- Time adjustments and correction of errors to be documented on the Payroll Adjustment Form, which is signed by the timekeeper, employee, and the supervisor. The supervisor's approval is required when corrections do not match the documentation in which the supervisor approved.

RECOMMENDATION

DMD should review internal controls, develop internal control processes, and assign responsibility to maintain documentation and approvals for each of the phases in which payroll data can be altered as outlined below:

- KRONOS system prior to the end of each pay period.
- PeopleSoft after the data is pushed from KRONOS until the date of payment.
- PeopleSoft after the payment date by the Administration's Payroll staff.

RESPONSE FROM DMD

“DMD is responsible for timekeeping of 466 employees in areas such as security, parking enforcement and street maintenance. These areas often operate 24 hours a day 7 days per week and require overtime, standby, and call back shifts. As processing for one pay period wraps up another one is beginning. DMD currently follows document retention guidelines established by the State of New Mexico Administrative Code that require that payroll records be maintained for one year.

“The KRONOS system is capable of maintaining comments related to specific time entries, it is unclear whether these comments are sufficient to support changes to payroll after the upload of data to the payroll processing system. While internal audit has access to a query that shows post processing changes, DMD does not have access to this report and has not performed monitoring functions as such.

“Implementation of the KRONOS system does not appear to have included a comprehensive review of forms and processes related to the timekeeping function. As a result many paper forms and signature processes were maintained. An electronic system with electronic approval tracking should be capable of storing electronic signature approval of forms such as overtime and leave requests. The capability to add specific supporting documents such as physician notes, obituaries and administrative leave approvals into the system would be beneficial.

“DMD agrees that collection and retention of documentation that supports time reporting is important. DMD further agrees that monitoring changes to timekeeping data and ensuring that changes are controlled, warranted and supported is important. DMD is open to utilizing reports that can be developed to actively monitor for changes, additionally we support efforts to streamline the documentation required for timekeeping functions.”

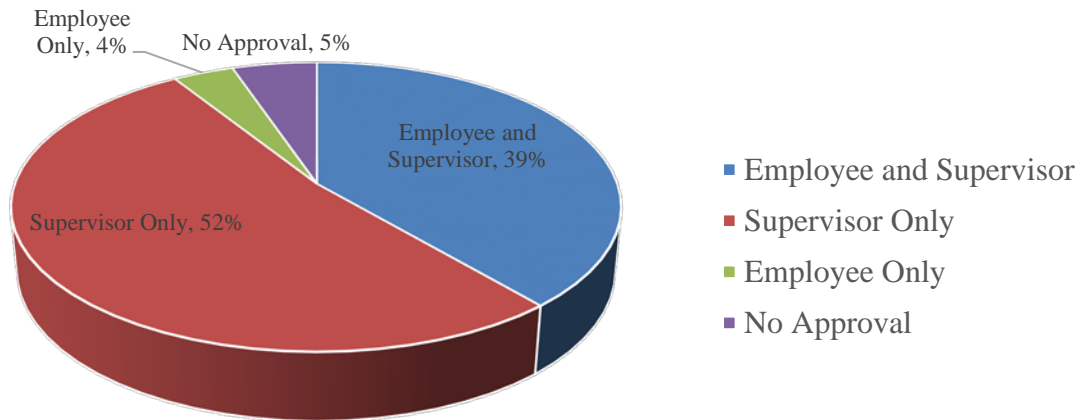
ESTIMATED COMPLETION DATE

“Projected completion date is the end of FY19”

2. THE CAO AND DMD SHOULD ENSURE THAT EMPLOYEES AND SUPERVISORS ARE APPROVING KRONOS TIMECARDS BY THE END OF EACH PAY PERIOD.

In addition, DMD and all other City Departments are not ensuring employees and supervisors are completing the timecard approval process at the end of each pay period prior to payroll processing. Employees and supervisors do not always approve timecards in KRONOS before the data is restricted and transferred to PeopleSoft. The chart below summarizes how often timecards are approved or not approved by DMD employees and/or supervisors. For example, timecards are approved only by supervisors 52-percent of the time. Both employees and supervisors should be approving timecards.

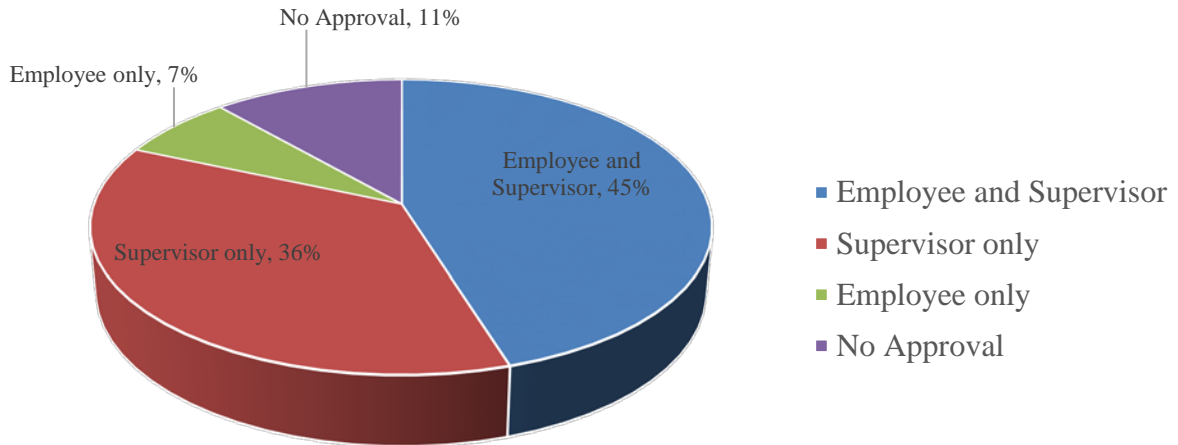
Summary of DMD Approval/Non-Approval of Timecards by Percentage



Source: KRONOS

As a comparison, the chart below summaries how often timecards are approved or not approved by City department employees and/or supervisors, not including DMD. For example, other City department employees and supervisors approve timecards 45-percent of the time whereas DMD employees and supervisors approve timecards 39-percent of the time.

Summary of All City Departments Excluding DMD Approval/Non-Approval of Timecards by Percentage



Source: KRONOS

Timecard data is transferred to PeopleSoft at the end of each pay period regardless of whether it is approved by the employee and supervisor. If employees and supervisors are not reviewing and approving time entries, they cannot detect or prevent inaccurate time recording. Furthermore, there is an increased probability of incorrect time recording, which may result in the under or overpayment of wages if such data is not reviewed and approved.

DMD management stated that, monitoring has not previously been performed for the approval process. DMD is now monitoring and communicating to division managers and timekeepers the statistics for timesheet approval.

According to the City Administration, “The general cause for employees and supervisors not consistently signing off on Kronos before it is uploaded is that there is lack of specific policy or Administrative Instruction which could clarify the process for approving time. There are job aids online and a Kronos training schedule in Sharepoint however, communication is needed to employee and supervisor as to the awareness of how to access Sharepoint. Other causes include absence of the employee and/or supervisor at the end of the pay period, disagreement on time entered so no one approves, or a failure to delegate approval authority in the absence of the supervisor. The HR department will utilize the recommendations outlined in the audit to strengthen the policies and procedures moving forward.”

The KRONOS 8.0.12 New Employee Training for Managers and Supervisors states, *during the workday the supervisor checks and fixes exceptions, and at the end of the workday approves employee timecards.*

The KRONOS presentation for new City employees states that employees are expected to review and approve their own timecards at the end of each pay period.

RECOMMENDATIONS

The CAO should develop a policy to clarify the process for reviewing and approving time for both employees and supervisors in KRONOS.

DMD should:

- Ensure employees and supervisors are reviewing and approving KRONOS timecards by the end of each pay period prior to payroll processing.
- Review approval reports and communicate to employees and supervisors that are not approving timecards.

RESPONSE FROM CAO

“Through process review discussions with ERP Personnel, Human Resources learned and determined the following:

- *All new employees are required to complete a two (2) day New Employee Orientation, "NEO" that familiarizes the new employees with critical components needed to begin employment with the City of Albuquerque. Such training topics consists of Organizational Structure, Values, Rules & Regulations, Code of Conduct & Ethics, Leave and FMLA, Performance Management, Safety, Risk Management, Employee Assistance Program, Benefits, Substance Abuse Policy, and Kronos Timekeeping.*
- *Kronos training is provided during NEO; however, it is standard employee training with little or no emphasis on supervisor approval procedures. Employees are not provided with any slides of the presentation because KRONOS updates occur frequently. The links, resources and information presented is updated and there is no way to update the presentations that were handed out. the information that the new employee would rely on from that NEO presentation may become obsolete or may have been*

updated.

- *The KRONOS NEO training must be updated and the process for notifying new supervisors of their responsibilities for proper timekeeping must be refined to ensure that new supervisors understand that approving time and utilizing KRONOS for their employee's time is required as part of overall compliance for timekeeping.*
 - *It was confirmed through ERP Personnel that they are willing to add the following steps to ensure new Supervisors understand their timekeeping and approval responsibilities:*
 - ✓ *When ERP obtains the NEO list from HR, they will mark those new employees who are supervisors;*
 - ✓ *During KRONOS training at NEO, ERP will inform supervisors that they have additional required training to complete within two (2) weeks of their hire/NEO; and*
 - ✓ *Provide a KRONOS acknowledgement form to the new supervisor that states that while they have completed their standard KRONOS training in NEO they acknowledge that they need to complete the New Employee Kronos Training for Managers and Supervisors by signing up for the following training within two (2) weeks of their hire date: <http://sharepoint.cabq.gov/dfas/isd/projects/Kronos/Lists/Calendar.aspx> the new employee will sign the acknowledgment and the form will be collected by PSU and distributed as follows: Original to Personnel file and Copy emailed to Department Director*
- *The attached draft acknowledgment form [Appendix C] shall be finalized and approved by ERP, Payroll and HR.*
- *This acknowledgment process must be in effect beginning April 29, 2019 which reflects the next NEO date after this acknowledgment implementation.”*

ESTIMATED COMPLETION DATES FROM CAO

“April 29, 2019”

RESPONSE FROM DMD

“DMD believes that the most basic of time keeping functions, employee submission and supervisor approval are critical components of employee accountability. DMD appreciates the report calling attention to this issue. The central payroll need to post transactions to the payroll processing system in a mass batch forces automated approvals of unsubmitted/unapproved entries. Employees are paid regardless of the approval status and there is no recourse for failure to submit an approved timesheet.

“Since this issue has been raised, DMD has started a process that includes monitoring, educating and actively communicating the approval status. The percentage of employee and supervisor approved timecards as of April of 2019 is 81%. DMD is committed to continued monitoring and educating.”

ESTIMATED COMPLETION DATES FROM DMD

“April 2019”

CONCLUSION

By establishing internal control processes for maintaining payroll documentation and approvals, DMD will be able to support the accuracy and validity of all payroll transactions that require such controls. In addition, DMD and other City departments will benefit by completing KRONOS reviews and approvals at the end of each pay period. KRONOS reviews and approvals will help all departments detect and prevent inaccurate time recordings.

We greatly appreciate the assistance, involvement, and cooperation of DMD staff and Management. Their time, assistance, involvement, and cooperation are greatly appreciated.

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Edmund E. Perea, Chairperson, Accountability in
Government Oversight Committee

APPENDIX A

OBJECTIVES

The audit objectives were to determine:

1. Does DMD maintain documentation to support the approval of leave and special pay requests?
2. Are DMD employees and managers approving timesheets in KRONOS before the data is locked and uploaded into PeopleSoft?
3. Are the timecard changes completed in PeopleSoft, following the upload of timecard data from KRONOS but up to payroll processing, supported and approved?
4. Does DMD maintain documentation to support adjustments made to employee timecard data in PeopleSoft after payroll is processed?

SCOPE AND LIMITATIONS

Our audit did not include an examination of all functions and activities related to payroll processing. Our scope was limited to the objectives above. This report and its conclusions are based on information taken from a sample of transactions and do not represent an examination of all related transactions and activities. The audit report is based on our examination of activities through the completion of fieldwork on March 12, 2019 and does not reflect events after that date.

Management of DMD is responsible for establishing and maintaining effective internal control and complying with laws, regulations, contracts and agreements.

In performance audits, a deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct (1) impairments of effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) noncompliance with laws, regulations, contracts and agreements. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective is not met. In the performance audit requirements, the term significant is comparable to the term material as used in the context of financial statement engagements. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

Our consideration of internal control was for the limited purpose described in our audit objectives and was not designed to identify all deficiencies in internal control. Therefore, unidentified deficiencies may exist. Accordingly, we do not express an opinion on the effectiveness of the DMD's internal control.

As part of the performance audit, we tested the DMD's compliance with certain laws, regulations, contracts and agreements. Noncompliance with these regulations could directly and significantly affect the objectives of our audit. However, opining on compliance with all provisions was not an objective of our performance audit and accordingly, we do not express an opinion.

We conducted this performance audit in accordance with generally accepted government auditing standards for performance audits, as prescribed in *Government Auditing Standards*, revision 2011, issued by the Controller General of the United States. 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.

METHODOLOGY

Methodologies used to accomplish the audit objectives include but are not limited to the following:

- Reviewed Human Resource Personnel Rules and Regulations,
- Reviewed Union and Collective Bargaining Agreements,
- Reviewed applicable City Ordinance and Administrative Instructions,
- Conducted interviews with DMD Staff, and Central Payroll Personnel
- Reviewed KRONOS and PeopleSoft timekeeper trainings and user instructions,
- Reviewed time reporting codes and obtained examples of applicable approval forms,
- Determined the population of time entry data for the audit period,
- Generated a statistical, random sample using "The Number" sampling software to provide a 90 percent confidence level for time approval and documentation verification,
- Selected judgmental samples of employees with high usage of time reporting codes,
- Generated a listing of all time approval by the employee and supervisor for the audit period and summarized types of approval, and
- Determined if DMD was obtaining required approvals and maintaining supporting documentation for applicable time reporting codes.
- Evaluated the results of testing to determine and document if sufficient, appropriate evidence has been obtained to address audit objectives and reduce audit risk to an acceptable level and that evidence is sufficient and appropriate to support findings and conclusion;

- Summarized all findings and provided the auditee with recommendations that will help to strengthen internal control, cost savings, and operating efficiency and effectiveness; and
- Applied other methodologies as needed.
- Determined if employees and supervisors were approving KRONOS timecards by the end of each pay period.

APPENDIX B

Human Resources Department Personnel Rules and Regulations Excerpts

- **Benefit Policy Chapter 4 Section 401 - Leave With Pay** states, *“As a benefit of employment with the City, leave with pay may be granted for the following reasons, including but not limited to, birthday, authorized holidays, vacation, illness, bereavement, jury duty, witness for the City, voting, annual military service and education. Requests for leave will be submitted for approval on the Request for Leave of Absence form. Requests shall include any necessary documentation. If employees are absent from duty without prior authorization, they must notify their immediate supervisor explaining the circumstances of their absence no later than one (1) hour after the regularly scheduled time to report to duty or as required by the department. The proper forms must be completed as soon as possible upon returning to work.”*
 - **401.1 Birthday Leave** - *“Birthday leave is a personal holiday, which leave must be used no later than midnight December 31st of the year accrued and, absent exceptional circumstances (which may only be approved by the Chief Administrative Officer), may not be carried over to the next calendar year.”*
 - **401.2 Vacation Leave Section A.** - *“Scheduling Vacation Leave Vacation leave must be approved at least twenty-four (24) hours in advance of the time it is taken unless specified otherwise by the department director in order to accommodate the particular staffing needs of their departments.”*
 - **401.3 Holidays** - *“With the written approval of their department director, employees may take any holiday as a floating holiday within one (1) calendar year after the holiday.” ... “If a designated legal holiday falls on a Saturday or an employee's first day off, the holiday will be observed on the previous Friday or the previous workday. If a designated legal holiday falls on a Sunday or an employee's last day off, the holiday will be observed on the following Monday or the next workday. For a four (4) day workweek, a holiday occurring on a day off will be observed on the last workday or next workday as determined by the immediate supervisor.”*
 - **401.4 Sick Leave Section A.** - *“Certification of Sick Leave- “Employees absent from work where such absence is chargeable to sick leave, may be required to provide their supervisor with a doctor's statement certifying the absence from work was due to illness or injury and the employee is now able to perform the essential functions of the job. Any employee taking sick*

- leave shall, upon returning to work, complete a Request for Leave form, indicating the type of sick leave claimed and the dates of absence."*
- **401.6 Bereavement Leave** - *"A maximum of three (3) days sick leave may be used in case of death in the employee, spouse, or domestic partner's immediate family. An additional day may be granted for every 500 miles travel one-way from Albuquerque required to attend funeral services. Leave will be charged to sick emergency and proof of death may be required."*
 - **401.8 Work Off Site** - *"Employees who are elected to a board or committee whose primary purpose is to enhance the goals or benefits of the city or its employees will be granted up to eight (8) hours leave with pay per month, unless otherwise approved by the CAO, to conduct official business upon approval of the department director."*
 - **401.9 Educational Leave** - *"If an employee is participating in a program leading towards a degree or certificate which is approved by the Training and Education Committee, the department director may grant educational leave not to exceed three (3) hours per week for full time employees in accordance with Section 502.2. Employees will be required to submit a Request for Leave form documenting the educational leave."*
 - **401.10 Injury Time Section A.** - *"3. The health care provider selected by the City certifies the employee is unable to perform the essential functions of the job or that the employee can perform tasks within the Light Duty program; and 4. The employee has been temporarily assigned to a light duty function as a result of sustaining a compensable job injury or illness."*
 - **401.11 Family and Medical Leave Section E. Required Certification, 1. Medical Certification** - *"An employee who requests leave for their own or an eligible family member's serious health condition must provide a medical certification from a health care provider on a form supplied by the City."*
- **Benefit Policy Chapter 4 Section 402 Other Leave Sections:**
 - **402.2 Military Leave C. Request for Military Leave** - *"To request a military leave of absence, the employee or his or her designated representative must attach a copy of the orders to a written request for military leave. In the event official orders are not issued the employee will be required to provide verification of attendance from their commander. All requests must be approved by the Human Resources Director."*
 - **402.3 Jury Duty** - *"Employees are responsible for notifying their supervisor of jury duty as soon as possible."*
 - **402.4 Blood Donation** - *"Employees donating blood during an organized city sponsored blood drive will receive two (2) hours of leave with pay."*

Employees are required to obtain prior approval of the supervisor for the leave with pay through the submittal of a Request for Leave form accompanied by a donation certification."

- **402.5 Unpaid Leave Status Section A. Leave of Absence** - *"Employees may be granted leave without pay due to sickness or disability when certified by a qualified doctor of medicine...." and "leave of absence will only be granted if the department director certifies the department can continue to provide the required services during the employee's absence. Vacation, sick, donated leave or hardship leave may not be used to extend a leave of absence."*
- **402.6 Administrative Leave** - *"Chief Administrative Officer approval must be obtained prior to placing an employee on administrative leave."*
- **Employee Development Policy Chapter 5 section 12 Conditions of Educational Leave**, *"Department directors shall approve or disapprove leave for education and training as provided in detail in the Human Resources Personnel Rules and Regulations, Part 4."*
- **Compensation Policy Chapter 7 Sections:**
 - **702 Temporary Payroll Upgrades**, *"Temporary upgrade will not be granted if other personnel of equal or higher grades in a department are available to provide adequate coverage. Conditions for payroll upgrading may include the absence of an employee from regular duty or for work performed outside of the employee's classification due to a business necessity and with the recommendation of the Department Director whether or not a vacant position exists." "Requests for temporary upgrades must be submitted in writing to Human Resources identifying the circumstances and why the request is being submitted. Requests for temporary upgrades are reviewed and approved by the Human Resources Director. Employees temporarily upgraded shall be compensated for actual hours worked."*
 - **701.3 Overtime Pay** - *"Overtime will be paid in accordance with the Fair Labor Standards Act or as provided per respective bargaining agreement."*