

**FOLLOW-UP OF
PAYROLL AUDIT
MAYOR'S OFFICE
AND
CHIEF ADMINISTRATIVE OFFICER'S DEPARTMENT
REPORT NO. 09-04-111F**



**CITY OF ALBUQUERQUE
OFFICE OF INTERNAL AUDIT AND INVESTIGATIONS**



City of Albuquerque

Office of Internal Audit and Investigations

P.O. Box 1293, Albuquerque, New Mexico 87103

November 19, 2008

Accountability in Government Oversight Committee
City of Albuquerque
Albuquerque, New Mexico

Follow-up: Payroll Audit – Mayor’s Office and the
Chief Administrative Officer Department
09-04-111F

FINAL

INTRODUCTION

The Office of Internal Audit and Investigations (OIAI) performed a follow-up of 04-111, Payroll Audit, Mayor’s Office and Chief Administrative Officer (CAO) Department issued February 22, 2006. The purpose of our follow-up is to report on the progress made by the Mayor’s Office and the CAO’s Department in addressing our findings and recommendations.

The Mayor’s Office supports the top elected official of the City of Albuquerque (City). The Mayor is the elected chief executive and ceremonial head of the City pursuant to the City Charter. The office is composed of support staff and constituent services that keep the Mayor in touch with residents of Albuquerque.

The CAO’s Department supports the top executive office of the City as well as general city functions. The CAO’s Department includes the Offices of the CAO, Management and Budget (OMB), Police Review and Oversight, and Emergency Management. The CAO is appointed by the Mayor with the consent of the City Council to provide day-to-day management of the City. Together, the Mayor and CAO provide the leadership and direction to execute policies legislated by the City Council.

The Mayor’s Office and CAO’s Department combined have four administrative assistants whose duties include timekeeping. These individuals are responsible for the payroll of approximately 40 employees. The Mayor’s Office has an approved operating budget for fiscal year (FY) 09 of

\$1,106,000, of which approximately \$680,000 (61%) is for the salary and benefit costs of seven full time positions. The CAO's Department has an approved operating budget for FY 09 of \$4,398,000, of which approximately \$2,851,000 (65%) is for the salary and benefit costs of 34 full time positions.

SCOPE, OBJECTIVES AND METHODOLOGY

Our follow-up procedures consist of interviews of City personnel and review and verification of applicable documentation to assess the status of our audit recommendations. Our follow-up is substantially less in scope than an audit. Our objective is to ensure management has taken meaningful and effective corrective action in regards to our findings and recommendations.

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.

The scope of the follow-up did not include an examination of all the functions and activities related to Mayor's Office and CAO's Department payroll process. We limited our scope to the actions taken to address our audit recommendations from the date of our final report, February 22, 2006, through the end of fieldwork, October 15, 2008.

RECOMMENDATION NO.1:

The Mayor's Office and the CAO's Department did not have proper separation of duties for the payroll function. The two timekeepers for the Mayor's Office and the CAO's Department had full access and control for the payroll function from start to finish with no supervisory review.

OIAI recommended the Mayor's Office and the CAO's Department ensure:

- Timekeepers do not have access to payroll checks.
- The data input and adjustments into the payroll system are reviewed to ensure the accuracy of the data.

The CAO responded:

- The Offices of the Mayor and the CAO would attempt to identify individuals other than the assigned timekeepers to pick up and distribute paychecks.
- The CAO would also direct the heads of the ancillary units included in the CAO's budget to take similar action.

ACTION TAKEN

The audit recommendation has not been implemented.

During the follow-up OIAI:

- Reviewed information regarding check pick up access provided by the Mayor's Office and CAO's Department.
- Reviewed documentation from the Department of Finance and Administration (DFAS) – Treasury Division regarding who actually picked up checks.
- Determined who was performing the timekeeper function for the Mayor's Office and CAO's Department.
- Reviewed information provided by Information Systems Division (ISD) helpdesk for timekeeping, position control and job posting/application systems.

OIAI noted there are two timekeepers who are authorized to pick up payroll checks. One of these individuals has timekeeper user access to the City's Payroll System (Empath) for the Mayor's Office, the CAO's Department, and DFAS, which enables her to:

- Enter time
- Adjust leave hours
- Process payroll

This individual also has Citywide human resource user access to the Empath system, which enables her to:

- Change salaries, status detail, bracket rates and employee id numbers
- Add/change employee positions, pays to employees, cost centers, payroll groups, position budgets, employment claims and requisitions
- Edit bio details

The same timekeeper has the ability to create and release positions, enter salary adjustments, and review these entries in the City's Position Control System (PONE).

RECOMMENDATION

The Mayor's Office and the CAO's Department should ensure:

- Timekeepers do not have access to payroll checks.
- Transactions entered to the PONE system are reviewed by another person before there are sent to OMB for review.
- Timekeepers do not have human resource user access to the Empath system.

RESPONSE FROM THE CAO

"We agree with the recommendation and will implement suggested changes. The changes are as follows:

- ***"Recommendations have been implemented and all timekeepers in the Mayor's Office and the CAO's Department will not have access to payroll checks.***
- ***"Transactions entered to the PONE system are B3's which require positions to be released. OMB is the reviewer before they get queued to HR. Only HR has the access to enter information to the PONE.***
- ***"Recommendations have been implemented and timekeepers do not have human resources user access to the Empath System."***

RECOMMENDATION NO. 2:

The Mayor's Office and the CAO's Department did not follow City payroll processing procedures.

Payroll records for fourteen employees of the Mayor's Office and CAO's Department were examined over a twelve-month period. Records reviewed included Timesheets, Requests for Leave of Absence Forms (P-30), Hours Adjustment Forms, Upgrade Forms, and other leave records. Our tests were designed to determine whether the Mayor's Office and the CAO's Department personnel were complying with City record keeping and supervisory requirements.

For the twelve-month period ending May 14, 2004, OIAI determined:

- Seven P-30s were not completed correctly.
- Six of seven timekeepers were not documenting changes to employee payroll histories.
- Three employees had incorrect vacation hours.
- Three payroll forms were not signed by employees or approved by supervisors.
- Two personnel files were missing P-30s.

OIAI recommended the Mayor's Office and CAO's Department improve their payroll processing and supervisory review procedures by ensuring:

- Employees and supervisors properly complete, sign, and date all payroll forms.
- All payroll data input into the payroll system is reviewed for accuracy.

- Procedures are developed to assure that employee payroll files are complete and that payroll documentation is properly maintained.

The CAO responded:

- Necessary supervisory review procedures would begin in the Mayor's Office and the CAO's Department with the February 2006 pay periods. The CAO would also direct the heads of the ancillary units included in the CAO's budget to take similar action to ensure adequate supervisory review in the units.
- The CAO requested that the Payroll Unit in the Accounting Division of DFAS prepare a basic manual for the use of timekeepers in the Offices of the Mayor and the CAO, and the ancillary units. This manual was expected to be available to timekeepers by May 2006.

ACTION TAKEN

The audit recommendations have not been implemented. OIAI reviewed payroll records provided by the Mayor's Office and CAO's Department for all personnel for the pay periods ending April 11, 2008 through July 4, 2008 to determine if payroll forms were signed by the employee and the supervisor, vacation hours were correct, P-30s were completed and processed, and if adjustment forms were processed correctly. OIAI noted:

- 65 of 132 (49%) P-30s were not completed correctly
- 7 of 163 (4%) timesheets had changes to employee payroll histories that were not documented
- 2 of 163 (<1%) payroll adjustment forms were not signed by supervisors
- 1 of 163 (<1%) timesheets had incorrect vacation hours

DFAS has prepared the Payroll User's Guide, a basic manual for payroll users, which is available on the City's employee website.

RECOMMENDATION

The Mayor's Office and the CAO's Department should improve their payroll processing and supervisory review procedures by ensuring:

- P-30s are completed correctly
- Changes to employee payroll histories are documented
- Payroll forms are signed by supervisors
- Vacation hours are correct

RESPONSE FROM THE CAO

"We agree with the recommendation and will implement suggested changes."

RECOMMENDATION NO. 3:

The Mayor's Office and CAO's Department employees did not submit exception reports or timesheets as required.

Six out of 59 employees tested for a two-week pay period did not complete a timesheet for exempt employees or an Exception to Standard Work Schedule report as required by City policy and the Fair Labor Standards Act (FLSA). These timesheets record exceptions to the employees' regular work schedule, such as vacation leave, sick leave and other paid and unpaid absences. Five of these employees were non-exempt unclassified employees and one employee was an exempt classified M14. These employees were unaware that they should be completing timesheets or Exception to Standard Work Schedule reports.

OIAI recommended:

- The Mayor's Office and the CAO's Department ensure that employees are submitting timesheets and Exception to Standard Work Schedule reports as required by FLSA and Code of Federal Regulations (CFR).
- Timesheets and Exceptions to Standard Work Schedule reports are signed and dated by the employee and his supervisor.

The CAO responded:

- The Mayor's Office and the CAO's Department would follow the appropriate Administrative Instructions regarding reporting time worked in compliance with FLSA guidelines.
- The heads of the ancillary units to the CAO's Department would be reminded to review with their classified employees their responsibilities with respect to the proper reporting of time worked under FLSA and City guidelines.

ACTION TAKEN

The audit recommendation has been fully implemented. OIAI reviewed payroll records provided by the Mayor's Office and CAO's Department for the pay periods ending April 11, 2008 through July 4, 2008 and determined that all employees submitted either a timesheet or an exception report as required by City policy and FLSA.

RECOMMENDATION NO. 4:

The Mayor's Office and CAO's Department did not keep the list of employees authorized to pick up payroll checks current. Of the four employees authorized to pick up payroll checks, two were timekeepers and two no longer worked for the Mayor or CAO's Departments.

OIAI recommended the Mayor's Office and CAO's Department:

- Ensure the authorization to pick up payroll checks on file with the DFAS Treasury Division is kept up to date.
- Periodically review authorizations to ensure that information is current and that outdated authorizations are rescinded.

The CAO responded:

- The Chief of Staff in the Mayor's Office and a designated person in the CAO's Office would review existing authorizations to pick up payroll checks and make any necessary changes by March 2006. Authorizations would be changed when there are changes in staff or their assignments.
- The CAO would direct the heads of the ancillary units to take similar action to ensure that authorizations are current in the units, and that changes are made as necessary.

ACTION TAKEN

The audit recommendation has been fully implemented. The DFAS Treasury Division's list of individuals authorized to pick up payroll checks includes the four individuals approved by the Mayor's Office and the CAO's Department. Three individuals are current employees of the Mayor's Office or the CAO's Department; one individual is a current employee of DFAS.

RECOMMENDATION NO. 5:

Although there was a partial supervisory review of the payroll process within the CAO's Department, there was no supervisory review of the payroll process within the Mayor's Office.

OIAI recommended that all timesheets, leave requests, and adjustments should be reviewed and approved prior to giving these documents to the timekeepers.

The CAO responded:

- The Mayor's Office would begin the necessary supervisory review and approval procedures with the February 2006 pay periods.

- The CAO would identify staff in the Office of the CAO to perform the necessary supervisory review and approval beginning with the February 2006 pay periods.
- The CAO would also direct the heads of the ancillary units included in the CAO's budget to take similar action to ensure adequate supervisory review and approval in the units.

ACTION TAKEN

The audit recommendation has been fully implemented. OIAI reviewed payroll records provided by the Mayor's Office and the CAO's Department for the pay periods ending April 11, 2008 through July 4, 2008 and determined that payroll forms were signed and reviewed.

RECOMMENDATION NO. 6:

The Mayor's Office and the CAO's Department did not perform management review of the general ledger override report. OIAI noted:

- Four employees in the CAO's Department had payroll costs overridden back to the CAO's Department.
- Two Assistants to the Mayor had an override to the CAO's Department payroll activity.
- Two employees permanently assigned to the Mayor's Office had payroll costs charged to Public Works.
- Two temporary employees had their payroll costs split between four different departments, which included the Albuquerque Fire Department, the Albuquerque Police Department, Public Works, and Environmental Health.
- One Office Assistant in the City Clerks Office had payroll costs overridden to Transit Sun Van Administration.

OIAI recommended the Mayor's Office and CAO's Department ensure payroll cost center overrides and other reports are reviewed monthly to ensure the payroll function operates as intended.

The CAO responded that he would direct staff in the Mayor's Office and CAO's Department to review general ledger overrides prior to the end of the fiscal year.

ACTION TAKEN

The audit recommendation has been fully implemented. OIAI reviewed cost center override reports as of September 30, 2008 and determined there is only one employee from the CAO's Department with a cost center override to another City department. OIAI determined this override to be appropriate. There were no overrides from other City departments to the Mayor's Office or CAO's Department.

RECOMMENDATION NO. 7:

City Personnel Rules and Regulations did not include a policy that allowed unclassified or non-union employees to receive longevity pay. Three employees in the CAO's Department may have received longevity pay in error.

OIAI recommended HRD verify applicable rules and regulations and document longevity pay for all City employees.

HRD responded that City Personnel Rules and Regulations did not prohibit the payment of longevity pay to unclassified or non-union employees. The Administration planned to re-address the issue of longevity pay for unclassified and non-union employees. A new Administrative Instruction addressing longevity pay, if any, for unclassified and non-union employees was expected to be issued by June 2006.

ACTION TAKEN

The audit recommendation has been fully implemented. OIAI reviewed reports as of September 15, 2008 for all employees in the Mayor's Office and CAO Department receiving longevity pay and verified that the three employees receiving longevity pay were eligible to receive this pay. The CAO has issued Administrative Instruction 7-46: Application of Merit System Ordinance Provisions to Certain Unclassified Employees, which addresses the issue of longevity pay for certain unclassified employees.

RECOMMENDATION NO. 8:

The timekeepers from the Mayor's Office and the CAO's Department did not consistently attend the Payroll User Group (PUG) meetings. Quarterly PUG meetings inform timekeepers of new payroll information, payroll updates, or changes in payroll procedures.

OIAI recommended the Mayor's Office and CAO's Department require mandatory PUG meeting attendance.

The CAO agreed that timekeepers should attend PUG meetings to enable them to keep abreast of changes in payroll procedures and to learn from their peers. Because timekeepers in the Offices of the Mayor and the CAO, and the ancillary units, generally have numerous other assigned duties that could conflict with attendance at PUG meetings, the CAO was not convinced that mandatory attendance was practical. However, the CAO would encourage timekeepers to attend PUG meetings when possible.

ACTION TAKEN

The audit recommendation has been fully implemented. OIAI reviewed sign-in sheets provided by DFAS for all PUG meetings held in FY08. OIAI found that employees from the Mayor's Office and CAO's Department have attended all PUG meetings.

RECOMMENDATION NO. 9:

A CAO's Department employee had a managerial leave balance. The CAO did not have a documented Managerial Leave Plan.

OIAI recommended the CAO's Department develop a Managerial Leave Policy.

The CAO responded that an employee who was promoted or transferred from another department or unit with a managerial leave policy to the Mayor's Office and CAO's Department, or an ancillary unit, may have properly had a managerial leave balance at the time of the promotion or transfer. The heads of the ancillary units would be directed to prepare written managerial leave policies by June 2006.

ACTION TAKEN

The audit recommendation has been resolved. The Mayor's Office and the CAO's Department do not have Managerial Leave policies because they do not grant managerial leave. OIAI reviewed Employee Leave Balance reports as of September 30, 2008 to determine if any employees from the Mayor's Office or CAO's Department had managerial leave balances. There were no employees from the Mayor's Office or CAO's Department that had managerial leave balances.

RECOMMENDATION NO. 10:

The Mayor's Office and CAO's Department did not ensure that Request for Permission to Engage in Employment Outside the City of Albuquerque (Outside Employment) forms were completed and on file. Two employees with outside employment did not have the Outside Employment forms on file.

OIAI recommended the Mayor's Office and CAO's Department require compliance with the City's Personnel Rules and Regulations regarding outside employment.

The CAO responded the CAO would issue a memo to all employees in the Mayor's Office and the CAO's Department, and to the heads of the ancillary units, reminding them of the requirements for completing the Outside Employment form.

ACTION TAKEN

The audit recommendation has been fully implemented. The Mayor's Office and CAO's Department issued a memo on June 16, 2008 to remind all employees with outside employment to complete the Outside Employment form.

RECOMMENDATION NO. 11:

The CAO's Department did not have proof of insurance for employees who received mileage reimbursement.

OIAI recommended the CAO's Department require employees who receive mileage reimbursement to provide proof of insurance.

The CAO responded that recent changes to the City Operators Permit (COP) program required proof of insurance as part of the licensing process for employees who use their personal vehicles for City business. The CAO would recommend that the Risk Manager make appropriate changes to the Risk Management Manual to reflect this change.

ACTION TAKEN

The audit recommendation has been fully implemented. OIAI tested seven employees of the CAO's Department who had received mileage reimbursement in calendar year 2008. All seven employees had current insurance cards on file.

RECOMMENDATION NO. 12:

The Mayor's Office and the CAO's Department timekeepers did not run payroll exception reports prior to payroll processing. This could leave payroll errors undetected.

OIAI recommended the Mayor's Office and CAO's Department ensure that timekeepers run exception reports as required.

The CAO responded that he has requested that the DFAS Accounting Payroll Unit prepare a basic manual for the use of timekeepers in the Offices of the Mayor and the CAO, and the ancillary units.

ACTION TAKEN

The audit recommendation has been fully implemented. OIAI reviewed payroll records for the pay periods ending April 11, 2008 through July 4, 2008, which indicated that the

exception reports are being viewed by the timekeepers. DFAS created the Payroll Users' Guide to guide timekeepers in payroll policy and procedures.

RECOMMENDATION NO. 13:

DFAS did not document the minutes of PUG meetings for future reference.

OIAI recommended DFAS:

- Document items discussed at PUG meetings.
- Consider developing a payroll policy manual that includes all payroll policies.

DFAS responded that they agreed that items discussed at PUG meetings should be documented. Each meeting had an agenda that was distributed prior to the meeting, and attendance was documented by a sign-in sheet. DFAS would, as appropriate or necessary, distribute and maintain copies of documents relevant to the discussion items on the agenda. DFAS created a quick reference guide, ABC for Timekeepers, for payroll policies.

ACTION TAKEN

The audit recommendation has been fully implemented. DFAS created a meeting agenda and sign-in sheet for all PUG meetings in FY08. DFAS created the Payroll Users' Guide to guide timekeepers in payroll policy and procedures.

CONCLUSION

Eleven of the 13 recommendations noted in the initial audit have been fully implemented or resolved. Two recommendations have not been implemented.

The Mayor's Office and CAO's Department should continue to work on implementing these recommendations to strengthen the payroll process and ensure compliance with City policies.

We appreciate the assistance and cooperation of the Mayor's Office, the CAO's Department, DFAS and HRD personnel during the follow-up.

Budget Auditor

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