



City of Albuquerque

Office of Internal Audit

FOLLOW-UP OF THE

Administrative Maintenance of Vacation and Sick Leave –
Human Resources Department

Report #23-15-109F

February 23, 2023

INTRODUCTION

On October 26, 2016, the Office of Internal Audit (OIA) issued Audit No. 15-109, Administrative Maintenance of Vacation and Sick Leave – Human Resources Department. The original report contained five recommendations. OIA completed a follow-up to determine the corrective actions taken by the Human Resources Department (HRD) has taken in response to the report. The original audit report contained five recommendations, two of which have been implemented and are now considered closed and three which remain open. OIA will continue to monitor the corrective action taken by the department in response to the report.

BACKGROUND

As a benefit of employment with the City of Albuquerque (City), permanent employees working more than 20 hours a week are eligible to earn vacation and sick leave. For all City employees, vacation accrual rates and maximum balances are dependent on years of continuous service, while sick leave accrues at 3.70 hours per pay period, with a maximum accumulation of 1,200 hours. Collective Bargaining Agreements (CBA) allow covered employees benefits that may differ from the information stated in the Vacation and Sick Leave Ordinances. For example, the Albuquerque Police Officers Association (APOA) CBA allows a maximum accumulation of 2,000 hours of sick leave instead of the 1,200 hours for all other City employees.

OIA completed a performance audit of the administrative maintenance of vacation and sick leave. This audit was included in OIA's fiscal year 2015 audit plan. The purpose of the audit was to determine whether vacation and sick leave accruals are correctly calculated and applied and if maximum accrual balances for vacation and sick leave are exceeded. The audit objectives were to determine whether:

- Employees' vacation and sick leave accrual rates are correctly calculated and applied;
- Internal controls are effective for ensuring employees do not exceed maximum vacation and sick leave balances; and
- There are reason as to why City of Albuquerque (City) employees did not take vacation or sick leave in 2015.

The scope encompassed all City employees as of December 25, 2015, except employees in the Albuquerque Fire Department (AFD).

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Further information pertaining to the audit scope, limitations, and methodology can be found in the Appendix A of the original audit report.

The audit identified processing issues in the application of the vacation and sick leave accrual calculations. In some cases, City systems were not properly set-up to calculate and apply vacation and sick leave accruals, and in other cases, processes have been established on historical interpretations that are not supported by regulations. As a result, some employees over-accrued vacation and sick leave benefits and were allowed to exceed maximum sick leave accumulation balances. In addition, a process to monitor and validate modifications or actions in City systems that can affect vacation and sick leave balances or accrual rates had not been established.

FOLLOW-UP OBJECTIVE

The objective of this follow-up was to determine whether the Chief Administrative Officer (CAO) and HRD have taken the corrective actions recommended in OIA's October 26, 2016 audit. The CAO is responsible for the administration of the merit system, and is authorized to establish Rules and Regulations to implement the system. Consistent with Government Auditing Standards, Section 9.08, promulgated by the U.S. Government Accountability Office, the purpose of audit reports includes facilitating a follow-up to determine whether appropriate corrective actions have been taken. This field follow-up is a non-audit service. Government Auditing Standards do not cover non-audit services, which are defined as professional services other than audits or attestation engagements. Therefore, the CAO and HRD are responsible for the substantive outcomes of the work performed during this follow-up and are responsible to be in a position, in fact and appearance, to make an informed judgment on the results of the non-audit service. OIA limited our scope to actions taken to address our audit recommendation from the audit report dated October 26, 2016, through the submission of actions on February 6, 2023.

METHODOLOGY

To achieve the objective, OIA:

- Obtained documentary evidence from HRD.
- Interviewed HRD to understand and verify the status and nature of the corrective actions taken.
- Verified the status of the recommendations reported as implemented.


RESULTS

Of the five recommendations addressed in the original audit report, two have now been implemented and three remain open. See **ATTACHMENT 1**. OIA will continue to monitor the corrective action taken by the department in response to the report.

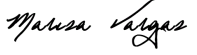
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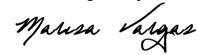
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ATTACHMENT - 1

Recommendations	Responsible Department	Department Response	OIA Conclusion	OIA Use Only Status Determination
<p><u>Recommendation #1</u></p> <p>The Chief Administrative Officer should review and update Administrative Instruction 7-44 and be specific regarding the:</p> <ul style="list-style-type: none"> • Intent of the benefit; and • Changes in the accrual rates and when the changes occur, and consistently apply the Administrative Instruction (AI) to all eligible employees. 	<p>Chief Administrative Officer and the Human Resources Department</p>	<ul style="list-style-type: none"> • HRD, Legal and CAO has routinely reviewed AI 7-44. Currently, HRD believes the intent is followed. • Changes to the accrual rate is manually applied, with the proper recommendation of hire memo and CAO approval. <p>Estimated Completion Date: August 2021</p>	<p>OIA confirmed that HRD has routinely reviewed <i>Administrative Instruction (AI) 7-44 Incentive Program for Positions Which are “Difficult to Recruit,”</i> by examining email discussions between HRD, Legal, and the CAO, which distinctly supported these ongoing reviews.</p> <p>OIA verified two employees that received enhanced changes to their vacation accrual, one dated October 2022 and the other dated December 2022, and confirmed each had proper CAO approval on file.</p>	<p><input type="checkbox"/> Open</p> <p><input checked="" type="checkbox"/> Closed</p> <p><input type="checkbox"/> Contested</p>
<p><u>Recommendation #2</u></p> <p>The Human Resources Department should:</p> <ul style="list-style-type: none"> • Work with the CAO and Legal Department to ensure the City clearly addresses the intent of vacation and sick leave accruals and accumulations in City Regulations. • Ensure PeopleSoft is set up to properly apply sick and vacation leave 	<p>Chief Administrative Officer and the Human Resources Department</p>	<p>AI 7-44, the Vacation Incentive Plan (VCIP) Leave Plan does not allow the enhanced accruals to be beyond five years that is allowed in this Administrative Instruction. Exceptions are made outside of AI 7-44, due to the current labor market and the City’s desire to recruit and/or retain qualified individuals. Any exceptions require CAO approval.</p> <p>HRD ensures that the requirements are met and does not allow service credit or additional vacation accruals for time in temporary employment status. A benefit</p>	<p>OIA reviewed <i>Administrative Instruction (AI) 7-44 Incentive Program for Positions Which are “Difficult to Recruit,”</i> and confirmed it clearly defines that employees hired into “difficult to recruit” positions will accrue vacation leave at the rate applicable to employees with five years of experience with the City. Additionally, OIA verified two Vacation Incentive Plan (VCIP) exceptions that occurred for two employees when offered employment with the City, one dated for July 2014 and the other for December 2016, and confirmed each received approval from the CAO to accrue at a higher rate.</p>	<p><input checked="" type="checkbox"/> Open</p> <p><input type="checkbox"/> Closed</p> <p><input type="checkbox"/> Contested</p>

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<p>accruals for all employees, in accordance with City Regulations.</p> <ul style="list-style-type: none"> Identify affected employees and process adjustments to increase or correct accruals, including recovery of the over accrued leave or the cost of the over accrued leave. 		<p>service date audit is conducted on each payroll Monday.</p> <p>VCNOMX Leave Plan Set up has been changed and does not have any enrollees. The plan itself cannot be inactivated. To enroll in this plan would require a manual Empl ID override on the Eligibility Rules table. The intent is to ensure this table remains empty, with no enrollees.</p> <p>This manual process continues to reside in DFAS/Payroll as it depends on negotiated contracts with the bargaining unions. This process must also allow for accruing on a full 80 hours for the current pay period. This allows accruals from previous pay periods to catch up in instances where the accrual was shorted resulting from pay corrections, legal agreements and 402.5 (B) paragraph 8a of Personnel Rules and Regulations. HRD is in the process of reviewing and updating the rules and regulations to reflect updated practices.</p> <p>PeopleSoft is set up properly to apply sick leave and vacation accruals for all employees within the normal range. The process to delete excess vacation and the first accrual for employees of over 1200 hours of sick leave does not</p>	<p>OIA observed HRD's Program Data Analyst (PDA) perform a benefit service date audit. As part of the bi-weekly payroll Monday audit, the PDA runs the "Longevity and Benefit Service Date Audit Report" in Cognos and reconciles temporary/permanent employees to their actual benefit service date in PeopleSoft and confirm vacation accruals are appropriate for permanent employees and that temporary employees are not receiving any accruals. OIA observed the benefit service date audit for two days: January 12, 2023 and January 26, 2023.</p> <p>OIA examined the VCNOMX Leave Plan in PeopleSoft and confirmed that while it is active, no employees are enrolled in it.</p> <p>According to HRD management, the department is in the process of reviewing and updating existing vacation and sick accruals rules and regulations. OIA will perform subsequent monitoring activities on the status of this recommendation going forward.</p> <p>OIA examined the sick and vacation leave tables in PeopleSoft and confirmed they are properly set up. Included is the Type of Benefit Plan, Effective Date, Accrual Calculation with service units and rate</p>	

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		<p>automatically apply accruals. Any hours above 1200 require a manual intervention between HRD and DTI/ERP; manual adjustments must be made. This process needs to be reevaluated in order to make improvements.</p> <p>HRD completed the longevity audit in 2017. It was determined that the employees would not be responsible for any overpayment of hours, if any.</p> <p>Estimated Completion Date: December 2023</p>	<p>units, and Automatic Accrual Processing with the appropriate max leave balances.</p> <p>OIA confirmed that HRD completed a longevity audit by examining HRD’s “Longevity & Benefits Service Dates Project Overview,” which documented HRD’s understanding of key issues involving incorrect longevity and benefit service dates, potential options to rectify the issues, and steps of action to be taken. Additionally, it detailed the City’s decision to not recover any over-allocated vacation hours or longevity pay. OIA also examined the file of one affected employee and confirmed HRD did identify their over-accruals.</p>	
<p><u>Recommendation #3</u></p> <p>The Human Resources Department should:</p> <ul style="list-style-type: none"> Request and work with DTI–ERP to turn on change tracking for the Benefits Service Date field in PeopleSoft. Work with DTI–ERP to develop a process to allow continuous monitoring and validation of changes to the Benefits Service Date, 	<p>Human Resources Department</p>	<p>HRD developed an exception audit report for differences of the benefit service date. This report is queried on every payroll Monday.</p> <p>HRD developed audit reports that looks for longevity date errors and STC actions (Transfer/Status Change – Temp to Reg). These audits are conducted on payroll Monday. Leave Plan tables are protected with limited access to few individuals. Pay Line Adjustments are monitored in DFAS/Payroll.</p>	<p>As mentioned in Recommendation #2, OIA confirmed that HRD developed an audit of the benefit service dates and that it is performed on continuous basis.</p> <p>HRD is in the process of developing procedures to train employees with access on how to make accrual changes in PeopleSoft. OIA will perform subsequent monitoring activities on the status of this recommendation going forward.</p>	<p><input checked="" type="checkbox"/> Open</p> <p><input type="checkbox"/> Closed</p> <p><input type="checkbox"/> Contested</p>

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<p>Leave Plan Tables and Pay Line Adjustments within PeopleSoft.</p> <ul style="list-style-type: none"> Train supervisors of employees with access to make changes, how to use PeopleSoft to monitor and validate changes. 		<p>HRD will ensure that the supervisor(s) are trained to monitor employees with the access to make changes within HR.</p> <p>Estimated Completion Date: December 2023</p>		
<p><u>Recommendation #4</u></p> <p>The Chief Administrative Officer should:</p> <ul style="list-style-type: none"> Determine the intent of the City regarding sick leave accumulations and work with the City Council, if needed, to propose changes to align the Sick Leave Ordinance to the current City policy regarding sick leave accumulations. Work with HRD and APD and formally document how the City administers APOA CBA sick leave benefits when police officers are promoted above the rank of Lieutenant. 	<p>Chief Administrative Officer and the Human Resources Department</p>	<p>HRD is in the process of reviewing and updating the rules and regulations to reflect updated practices.</p> <p>DFAS/Payroll monitors sick leave balances and makes adjustments during the Sick Leave Conversion process in November following an employee's promotion out of a bargaining unit. This transition allows for a balance of more than 1200 hours of sick leave for APOA, IAFF, AFSCME Locals 1888 and 624 members, unless the individual has approval from the CAO to carry a larger balance.</p> <p>Estimated Completion Date: December 2023</p>	<p>According to HRD management, the department is in the process of reviewing and updating existing rules and regulations involving the Sick Leave Ordinance. OIA will perform subsequent monitoring activities on the status of this recommendation going forward.</p>	<p><input checked="" type="checkbox"/> Open</p> <p><input type="checkbox"/> Closed</p> <p><input type="checkbox"/> Contested</p>

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<p><u>Recommendation #5</u></p> <p>The Human Resources Department should ensure PeopleSoft is set up to comply with the City Ordinances and AIs regarding sick leave accruals and maximum balances.</p>	<p>Human Resources Department</p>	<p>HRD is in compliance 401.4 (C) of the Rules and Regulations; 401.4 (C) (3) states: 3. Sick leave over 1,200 hours must be converted at: a. Three (3) hours of sick leave to two (2) hours of vacation, or b. Three (3) hours of sick leave to two (2) hours cash payment.</p> <p>Estimated Completion Date: August 2017</p>	<p>As mentioned in Recommendation #2, OIA confirmed PeopleSoft is set up properly to comply with the sick leave accrual tables.</p>	<p><input type="checkbox"/> Open</p> <p><input checked="" type="checkbox"/> Closed</p> <p><input type="checkbox"/> Contested</p>