

Audit Follow-Up

As of September 30, 2015



**T. Bert Fletcher, CPA, CGMA
City Auditor**

Parks, Recreation, and Neighborhood Affairs Department Jack McLean, Jr. Community Center Timekeeping Processes (Report #1503 issued January 28, 2015)

Report #1602

January 4, 2016

Summary

Seven of the eight action plan steps established to address issues identified in audit report #1503 have been completed as of September 30, 2015. Actions have been initiated but not completed for the remaining step. We will follow up on Parks, Recreation, and Neighborhood Affairs Department efforts to complete the remaining step in our subsequent follow-up engagement.

Report #1503 describes the results of our audit inquiry into the timekeeping and payroll processes of the Jack McLean, Jr. Community Center. The inquiry was conducted at the request of City management, who expressed concerns that some of the Center's records may have been fraudulently prepared.

In report #1503, issued January 28, 2015, we concluded that Parks, Recreation, and Neighborhood Affairs (PRNA) had developed timekeeping procedures which, as to design, met the requirements of City administrative policy. However, based on the results of our audit inquiry, and as acknowledged by PRNA management at the beginning of our work, many of the controls were not utilized at the Center. Further, our audit disclosed instances in which Center timekeeping records could not be located and other instances in which the available records indicated that some employees may have been paid on a relatively consistent basis for hours in excess of those worked, other instances in which the records indicated that some employees may have not been paid for all hours worked, and still other instances in which the work performed had

been charged to an incorrect facility or project code.

A total of eight action plan steps were developed by PRNA management to address the issues reported in report #1503. As of September 30, 2015, seven of those action plan steps had been completed, while actions were in progress for the remaining step. Specifically, as of September 30, 2015:

Completed Steps:

- The PRNA had disseminated to staff written part-time employee timekeeping procedures.
- Actions were taken to better facilitate an Assistant Center Supervisor's ability to ensure that all employee and supervisor initials are present on sign-in and sign-out records (Sign-In and Sign-Out Sheets). Those actions included the issuance of the above-referenced written PRNA timekeeping procedures, which include specifications addressing employee and supervisor responsibilities for recording, initialing and verifying daily entries on Sign-In and Sign-Out Sheets.
- To better ensure that all timekeeping records are retained, the timekeeping procedures referenced above list the records that Center Supervisors must retain on file at the Center. Also, PRNA resumed and enhanced monitoring procedures which, by periodically requiring the submission of Center timekeeping records for PRNA Administration's review, encourage Center compliance with record retention

requirements.

- PRNA Administration is now conducting enhanced reviews of timekeeping processes and records at PRNA facilities. Each week, the timekeeping records of one Center are selected for review by the PRNA Administrative Specialist. The Administrative Specialist is to review the timekeeping documentation for compliance with PRNA timekeeping procedures.
- Actions were taken by PRNA Administration and City management to recoup amounts overpaid.
- PRNA Administration had completed an extended review of the timekeeping records of one Center, and as described above, is conducting a review each week of the timekeeping records of a selected PRNA Center.
- Documentation was provided which shows that PRNA reviewed and reconciled the City Auditor’s findings (in report #1503) concerning over and underpayments with the findings of PRNA’s initial report.

In-Progress Step:

- The adopted PRNA timekeeping procedures require that Center Supervisors review and approve the Sign-In and Sign-Out Sheets and verify the information on the Sign-In and Sign-Out Sheets is consistent with the information shown on the Payroll Sheets and the Edit Sheets. The Center Supervisor is to then initial the Edit Sheet and retain it, along with other timekeeping documents, in Center records. Our limited tests of McLean Center records disclosed two instances in which the applicable Sign-In and Sign-Out Sheets did not show any hours worked by an employee, but the Payroll Sheets and Edit Sheets did show hours worked (totaling

8.15 hours). The timekeeping records provided for our review contained no indication that these inconsistencies had been detected by the Center Supervisor's reviews. Upon inquiry, the Center Supervisor indicated that the employee had worked the hours shown on the Payroll Sheets and Edit Sheets and that she was unsure as to why the employee had not signed in or out.

In the records tested, we also found no instance in which the Center Supervisor, as required by PRNA timekeeping procedures, had initialed the Edit Sheet to document review of the timekeeping records.

We recommend that PRNA consider providing additional timekeeper training to McLean Center supervisory staff.

Table 1 of this report provides additional details on the status of the action plan steps. In our subsequent follow-up engagement, we will again review PRNA efforts to complete the remaining action plan step shown as in progress as of September 30, 2015.

We appreciate the cooperation and assistance provided by PRNA management and staff during this follow-up audit.

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 Inquiry Report #1503

Report #1503 describes the results of our audit inquiry into timekeeping and payroll processes of the Jack McLean, Jr. Community Center. The inquiry was conducted at the request of City management, who expressed concerns that some of the Center's records may have been fraudulently prepared.

As described in report #1503, the scope of work for our audit inquiry included a review of the controls over the timekeeping activities relating to the part-time staff employed by the City and working at the Jack McLean, Jr. Community Center during the week ended October 5, 2013, through the week ended September 26, 2014 (approximately one year). The objectives of our initial audit inquiry were to:

- Determine the extent to which the City's controls, including those administered at the Center and at PRNA Administration, reasonably ensured the accuracy and completeness of records showing the hours worked at the Center by part-time staff each week.
- Determine the extent to which Center part-time employees were properly and correctly paid for hours worked, as shown by the daily time record entries of each of the employees.

To accomplish our objectives, we obtained an understanding of the timekeeping and related payroll preparation and entry processes used by PRNA and the Center. We also selected a sample of 20 of the 53 weeks included in the audit's scope and, for each part-time employee reporting time during the selected weeks, we recalculated the hours worked and compared that calculation to the number of hours recorded in the City's payroll records. Also, for each of the weeks selected, we evaluated the effectiveness of the relevant controls applied at the Center and PRNA Administration. Further, as indicated below under the **Background** heading, prior to City management's request for an audit inquiry, PRNA Administration conducted a review of the

payroll processes employed by the Center. As part of our inquiry, we compared the results of our tests to the findings included in the PRNA Administration's preliminary report.

Report #1602

This is our first follow-up on action plan steps identified in audit report #1503. The purpose of this follow-up is to report on the progress and status of efforts to complete action plan steps due for completion as of September 30, 2015. To determine the status of the action plan steps, we interviewed staff, made observations, and reviewed relevant documentation.

Background

PRNA established timekeeping and payroll preparation processes that were to be followed by all PRNA facilities, including the Jack McLean, Jr. Community Center. The following is a description of those processes, as determined and reported in report #1503:

- A Work Schedule is prepared for each week. The Schedule shows the dates and times that each part-time employee is to work.
- A standard format is specified for a Sign-In and Sign-Out Sheet. Such a Sheet is to be set up each week, and each hourly employee is to record for each day worked the times at which work began and ended, along with any noncompensable time taken for breaks or meals, and his or her initials for that day. Supervisory staff is to initial next to the daily entry of hours to signify verification of the hours worked.
- At the end of the week, the Assistant Center Supervisor is to review the Sign-In and Sign-Out Sheet and sign the Sheet after it is determined to be correct. The Assistant is to also calculate for each employee the hours worked during the week, as reflected on the Sign-In and Sign-Out Sheet, and enter that number of hours for the employee on a Payroll Sheet.

- The Payroll Sheet is to contain at a minimum, columns for use in recording each employee's name, a pay code (the pay code designates the type of work performed), the hourly rate at which the work performed is to be compensated, the total number of hours worked during the week, the hours worked each day of the week, and the gross amount of compensation due. The Assistant's approval of the completed weekly Payroll Sheet is to be evidenced by an e-mail from the Assistant transmitting the completed Payroll Sheet to PRNA Administration by no later than 10 a.m. each Monday.
- An Administrative Specialist at PRNA Administration is responsible for entering into the City's automated human resources management system (PeopleSoft HRMS) the time worked as shown on the weekly Payroll Sheet for each employee.
- The Center Supervisor is to compare the Payroll Sheet and Sign-In and Sign-Out Sheet. If there are errors or differences, the Center Supervisor is to notify the Administrative Specialist at PRNA by e-mail in a timely manner. The Center Supervisor is then to print any e-mails regarding errors, if applicable, and then store in Center files the timekeeping records applicable to the pay period.
- After any needed and documented adjustments are made, the information recorded in PeopleSoft HRMS is used for the processing of the biweekly payroll.
- To monitor Center compliance with PRNA procedures, PRNA administrative staff are to periodically request from selected Centers the Sign-In and Sign-Out Sheets for selected weeks and verify that the information on Payroll Sheets is consistent with the information shown on the Sign-In and Sign-Out Sheets.

In addition to the controls described above, we were advised that the PRNA was going to begin

sending to the Center Supervisor an Edit Sheet (with a copy to the Assistant Center Supervisor). The Edit Sheet shows for the week, the information recorded into PeopleSoft HRMS, including the employee's name, the applicable pay code or codes, the hours worked under each pay code, the cost center that will be charged, and, where applicable, a project code. The Center Supervisor is to compare the Edit Sheet to the Payroll Sheet and Sign-In and Sign-Out Sheet. If there are errors or differences, the Center Supervisor is to notify the Administrative Specialist at PRNA. The Center Supervisor is then to print and initial the Edit Sheet and e-mail regarding errors, if applicable, and then store them in Center files along with the other timekeeping records.

Prior to City management's request for an audit inquiry, City management directed that the PRNA review the Center's payroll records. PRNA's preliminary report described the existence of numerous differences between the hours worked by part-time staff, as shown by the Center's Sign-In and Sign-Out records, and the hours summarized and shown on the Payroll Sheets. In some cases, an excess of hours appear to have been reported and, in other cases, some hours worked appear to have not been reported. In summary, based on a comparison of the hours shown on the Sign-In and Sign-Out records and the hours shown on the Payroll Sheets, the PRNA report indicated that for part-time staff, an excess of 985 hours had been reported as worked which were not worked and, as a result, over \$8,200 had been paid for hours not worked.

Original Inquiry Results and Current Status

In report #1503, we concluded that PRNA had developed timekeeping procedures, which, as to design, met the requirements of Administrative Policy and Procedure (APP) 615. (APP 615 promulgates the requirements relative to City timesheet content, review, and approvals.) However, based on the results of our inquiry, and as acknowledged by PRNA management at the

beginning of the inquiry, many of the controls were not utilized at the Center. Because the controls were not utilized, errors could occur without reasonable chance of timely detection. Also, the lack of control utilization adversely impacted the reliability and credibility of the Center's timekeeping records.

To address the issues disclosed by our inquiry, we recommended:

- PRNA disseminate to staff written timekeeping procedures.
- Assistant Center Supervisors ensure that all employee and supervisor initials are present on Sign-In and Sign-Out Sheets.
- Center Supervisors ensure that the Assistant Center Supervisor reviews and approves the Sign-In and Sign-Out Sheets and that the information on the Sign-In and Sign-Out Sheets is consistent with the information shown on the Payroll Sheets and the information recorded in PeopleSoft HRMS.
- Center Supervisors ensure that all Center timekeeping records are retained on file at the Center.
- PRNA administrative staff not routinely involved in timekeeping processes periodically review the timekeeping records of each facility. The review should include verification of facility compliance with PRNA timekeeping policies and procedures and verification that any differences between the hours shown by the Sign-In and Sign-Out Sheets, Payroll Sheets, and PeopleSoft HRMS are satisfactorily explained in the City's records.

As part of our audit inquiry, we also conducted tests of Center timekeeping records and a reconciliation of those records to the City's PeopleSoft HRMS records. Our audit disclosed many instances in which the available records indicated that some employees may have been paid on a relatively consistent basis for hours in

excess of those worked, other instances in which the records indicated that some employees may have not been paid for all hours worked, and still other instances in which the work performed had been charged to an incorrect facility or project code.

Details regarding these potential payroll errors were provided to PRNA Administration, and we recommended that PRNA consult with the City Attorney and the City Police Department concerning whether any additional investigative steps should be undertaken by PRNA staff. Such additional steps potentially included interviews of selected Center staff to obtain their explanations for the apparent contradictions in the timekeeping records. In determining whether and from whom the City should seek repayment, we recommended that PRNA management consider consulting the City Attorney and consider the costs of collection in comparison to the amounts due.

We also recommended that the PRNA immediately test the timekeeping records of other PRNA facilities to determine the extent to which, if any, unauthorized timekeeping practices may be in use (for example, reporting on the Payroll Sheet hours in excess of the hours worked, as shown on the Sign-In and Sign-Out Sheets).

Further, we recommended that PRNA consider whether underpayments may have actually occurred. In those instances in which underpayments did occur, we recommended employees be compensated for hours worked.

To address the issues identified in the audit inquiry report, management developed eight action plan steps, all of which were due for completion by September 30, 2015. As shown below in Table 1, seven of these steps had been completed, and the completion of the remaining step was in progress.

Table 1
Action Plan Steps from Audit Report #1503
Due as of September 30, 2015, and Current Status

Action Plan Steps Due as of September 30, 2015	Current Status
<i>Ensure the implementation of internal controls which reasonably ensure the accuracy and completeness of records showing the hours worked at PRNA facilities by part-time staff each week.</i>	
<ul style="list-style-type: none"> PRNA will disseminate to staff written timekeeping procedures. 	<p>✓ Completed. The PRNA Director provided for our review an email dated October 16, 2014, addressed to PRNA supervisors, which includes PRNA timekeeping procedures and a sample Sign-In and Sign-Out Sheet, Payroll Sheet, and Edit Sheet.</p>
<ul style="list-style-type: none"> Assistant Center Supervisors will ensure that all employee and supervisor initials are present on Sign-In and Sign-Out Sheets. 	<p>✓ Completed. PRNA timekeeping procedures communicated in October 2014 require that employees initial next to daily sign-in and sign-out entries on Sign-In and Sign-Out Sheets and that on-duty supervisors initial each night verifying the time shown as worked. The written procedural requirements facilitate the Assistant Center Supervisor’s ability to ensure the presence of employee and supervisor initials on Sign-In and Sign-Out Sheets. Our test of McLean Center compliance disclosed that initials were present in most instances. However, we did continue to identify some instances in which either an employee’s or a supervisor’s initials were not shown on the timesheet.</p> <p><u>Audit Comment:</u> We recommend that Center staff be reminded again of their responsibilities for initialing the Sign-In and Sign-Out Sheets.</p>
<ul style="list-style-type: none"> Center Supervisors will ensure that the Assistant Center Supervisor has reviewed and approved the Sign-In and Sign-Out Sheets and that the information on the Sign-In and Sign-Out Sheets is consistent with the information shown on the Payroll Sheets and the Edit Sheets. 	<p>➤ In Progress. The adopted and communicated PRNA timekeeping procedures require that Center Supervisors review and approve the Sign-In and Sign-Out Sheets and verify the information on the Sign-In and Sign-Out Sheets is consistent with the information shown on the Payroll Sheets and the Edit Sheets. The Center Supervisor is to then initial the Edit Sheet and retain it, along with other timekeeping documents, in Center records. Our limited tests of McLean Center records disclosed two instances in which the applicable Sign-In and Sign-Out Sheets did not show any hours worked by an employee, but the Payroll Sheets and Edit Sheets did show hours worked (totaling 8.15 hours) for the employee. The timekeeping records provided for our review contained no indication that these inconsistencies had been detected by the Center Supervisor’s reviews. Upon inquiry, the Center Supervisor indicated that the employee had worked the hours shown on the Payroll Sheets and Edit</p>

	<p>Sheets and that she was unsure as to why the employee had not signed in or out.</p> <p>In the records tested, we also found no instance in which the Center Supervisor, as required by PRNA timekeeping procedures had initialed the Edit Sheet to document review of the timekeeping records.</p> <p><u>We recommend</u> that PRNA consider providing additional timekeeper training to McLean Center supervisory staff.</p>
<ul style="list-style-type: none"> Center Supervisors will ensure that all Center timekeeping records are retained on file at the Center. 	<p>✓ Completed. The PRNA timekeeping procedures include record retention instructions. Also, PRNA resumed and enhanced monitoring procedures which, by periodically requiring the submission of Center timekeeping records for PRNA Administration’s review, encourage Center compliance with record retention requirements. Audit tests revealed no instances in which timesheet records could not be located.</p>
<ul style="list-style-type: none"> PRNA administrative staff not routinely involved in timekeeping processes periodically will review the timekeeping records of each facility. The review will include verification of facility compliance with PRNA timekeeping policies and procedures and verification that any differences between the hours shown by the Sign-In and Sign-Out Sheets, Payroll Sheets, and PeopleSoft HRMS are satisfactorily explained in the City’s records. 	<p>✓ Completed. Each week, the timekeeping records of one Center are selected for review by the PRNA Administrative Specialist. The Administrative Specialist is to review the timekeeping documentation for compliance with PRNA timekeeping procedures, including, for example, evidence of employee initials and supervisory approvals. We found that a copy of the timesheet documentation reviewed each week was retained in and available in PRNA Administration’s files; however, notes describing what was reviewed, the results, and the corrective actions taken were not prepared as part of the reviews. The Administrative Specialist indicated that when missing initials or other issues were found, the applicable Center’s Assistant Supervisor or Supervisor was called and the applicable issues were discussed, although notes regarding the specifics of the calls were not prepared.</p> <p><u>Audit Comment:</u> To improve the monitoring process, <u>we recommend</u> that PRNA Administration consider developing and utilizing a brief questionnaire to be completed by the Administrative Specialist as part of each weekly review of the timekeeping documentation. The questions on the checklist should be derived from the PRNA’s timekeeping procedures. The completed checklists could then be provided to Center managers to communicate the results of the reviews, with a copy maintained at PRNA Administration to serve as documentation of monitoring efforts and results.</p>

<i>Determine the extent to which Center part-time employees were properly and correctly paid for hours worked, as shown by the daily time record entries of each of the employees.</i>	
<ul style="list-style-type: none"> PRNA Administration and City Management will consider recouping funds from the employees who were overpaid taking into account the costs of collection in comparison to the amounts due. 	<ul style="list-style-type: none"> ✓ Completed. Actions were taken by PRNA Administration and City Management to recoup amounts overpaid.
<ul style="list-style-type: none"> PRNA Administration will test the timekeeping records of other PRNA facilities to verify compliance with PRNA timekeeping policies and procedures. 	<ul style="list-style-type: none"> ✓ Completed. To address this Action Plan step, PRNA Administration completed an extended review of the timekeeping records of one Center, and as described above, is conducting a review each week of the timekeeping records of a selected PRNA Center.
<ul style="list-style-type: none"> PRNA Administration will review and attempt to reconcile the Auditor’s findings with PRNA’s initial report. 	<ul style="list-style-type: none"> ✓ Completed. Documentation was provided which shows that PRNA reviewed and reconciled the City Auditor’s findings concerning over and underpayments with the findings of PRNA’s initial report.

Table Legend:

- Issue to be addressed from the original audit.

- ✓ Issue addressed and completed.
- Actions taken and in progress to complete the action plan step.

Conclusion

Table 1 above shows each of the eight action plan steps established to address issues identified in our audit inquiry, all of which were due for completion by September 30, 2015. As shown by the Table, seven of the eight action plan steps have been completed. The completion of the remaining action plan step was in progress. In our subsequent follow-up engagement, we will again review PRNA efforts to complete the remaining action plan step.

We appreciate the assistance and cooperation provided by Parks, Recreation, and Neighborhood Affairs during this follow-up engagement.

Appointed Official’s Response

City Manager:

We appreciate the thorough job the City Auditor's staff did in the follow up audit report of payroll issues at the Jack McLean Community Center and the steps the Parks, Recreation and Neighborhood Affairs department have taken to successfully rectify identified deficiencies. We recognize and appreciate the importance of good internal controls and are confident that continued active monitoring of the controls discussed in this audit will continue to improve operations and performance and prevent a similar situation from occurring in the future.

Copies of follow-up audit report #1602 or report #1503 may be obtained at the City Auditor’s web site (<http://www.talgov.com/auditing/auditing-auditreports.aspx>) or via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (Office of the City Auditor, 300 South Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail (auditors@talgov.com).

Audit follow-up conducted by:
 Don Hancock, CPA, Sr. Audit Manager
 T. Bert Fletcher, CPA, CGMA, City Auditor