

**HUMAN RESOURCES DEPARTMENT
AND
REVENUE AND FINANCE
CENTRAL PAYROLL DIVISION
PAYROLL PROCESS
AUDIT 16-02
APRIL 18, 2016**



CITY OF TAMPA

Bob Buckhorn, Mayor

Internal Audit Department

Christine Glover, Internal Audit Director

April 18, 2016

Honorable Bob Buckhorn
Mayor, City of Tampa
1 City Hall Plaza
Tampa, Florida

RE: Payroll Process, Audit 16-02

Dear Mayor Buckhorn:

Attached is the Internal Audit Department's report on 16-02 Payroll Process.

We thank the management and staff of the Human Resources Department and the Revenue and Finance Central Payroll Division for their cooperation and assistance during this audit.

Sincerely,

/s/ Christine Glover

Christine Glover
Internal Audit Director

cc: Dennis Rogero, Chief of Staff
Sonya Little, Chief Financial Officer
Kimberly Crum, Director of Human Resources
Russell Haupert, Chief Technology Officer
Martin Zinaich, Information Security Officer
Sarah Lang, Employees Relations Manager
Lee Huffstutler, Chief Accountant
Vince Capitano, Benefits and HRMS Manager
Terrie Williams, Accounting Operations Manager
Michael Cascone, Accounting Supervisor

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Not available to sign

Melinda Jenzarli, Auditor

/s/ Christine Glover

Christine Glover, Audit Director

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BACKGROUND

CY2015 was the first year that the City of Tampa (City) processed payroll in Oracle. The Human Resources (HR) Department is responsible for processing new employees, pay rate adjustments and increases, and terminations. They also maintain Kronos, the City's timekeeping system. Central Payroll, within the Revenue and Finance Department, is responsible for processing payroll citywide. Individual City Supervisors are responsible for posting and approving requested time off and hours worked in Kronos. Once all time is approved by the individual Supervisors in Kronos, HR signs off and then transfers the data to Oracle for Central Payroll to move forward with processing. The City's total gross payroll for CY2015 was \$282,934,625.

STATEMENT OF OBJECTIVES

This audit was conducted in accordance with the Internal Audit Department's FY2016 Audit Agenda. The objectives of this audit were to ensure that:

1. Employee starting pay, pay rate increases, and terminations are performed accurately and timely.
2. Payroll earnings and accruals are calculated accurately and processed efficiently.
3. There is proper separation of duties between adding employees, terminations, pay rate increases, and payroll processing.

STATEMENT OF SCOPE

We have conducted an audit of the payroll process activities of the HR Department and Revenue and Finance Central Payroll Division. The audit period covered salary increases performed during FY2015 and new employees added and terminated and payroll records processed during CY2015. Original Records and copies were used as evidence and verified through observation and physical examination.

STATEMENT OF METHODOLOGY

Employees added, employees terminated, salary increases, leave accruals, and payroll records processed during the audit period were extracted from Oracle. This data was analyzed, and exceptions were tested on a sample basis to verify the following:

- Starting pay was within the approved range based on the employee grade, and starting pay above the minimum was approved.
- Pay increases were approved, accurate, and performed timely.
- Terminated employees system access was removed timely, and separation payments were calculated and paid accurately.
- Gross salaries paid reconciled to the approved salary for each employee per the HR file.
- No duplicate payroll payments were made.

- Fictitious employees do not exist.
- Employees who received overtime were eligible based on the personnel manual or applicable union contract.
- Non-payroll related payments were approved and supported by documentation.
- Sick and annual leave were accrued properly.

We verified that employees, who performed the functions referenced above, were authorized and that proper separation of duties exists. The entire payroll process was evaluated for adequate internal controls. The data used in this audit was assessed and deemed reliable.

We conducted a benchmarking assessment of the City's payroll process by interviewing six local municipalities that use Oracle to process payroll. We provided the results to the HR and Revenue and Finance Departments.

STATEMENT OF AUDITING STANDARDS

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.

NOTEWORTHY ACCOMPLISHMENTS

1. HR and Central Payroll worked with the Technology and Innovation Department to configure, test, and implement three systems: Kronos, TeleStaff, and Oracle. New process documentation and procedures were created providing for a seamless transition to these new systems. HR provided training on Kronos and TeleStaff to supervisors in multiple training sessions. They continue to provide training to individual supervisors using the remote access tool.
2. Employee Self Service was successfully implemented in Oracle allowing employees to enter their W-4 and deferred compensation changes, thus eliminating the need to submit a document for the change. Employee Self Service also allows employees to enter changes to their personal data such as phone numbers, address, etc.
3. Supervisor Self-Service was successfully implemented in Oracle allowing supervisors to change the employees supervisor, terminate employees (when employees are unable to enter the termination in Oracle themselves), and the ability to view the data on their employees (job title, position, etc.).

AUDIT CONCLUSIONS

Based upon the test work performed and the recommendations noted below, we conclude that:

1. Employee starting pay, pay rate increases, and terminations are performed accurately. Improvements could be made to automating the notification to the Security Office after an employee has left employment.
2. Payroll earnings and accruals are calculated accurately and processed efficiently.
3. Overall, there is proper separation of duties between adding employees, terminations, pay rate increases, and payroll processing. Two HR employees with the ability to add and terminate employees and modify pay rates, were also granted access to process payroll. This access has since been disabled.

RETROACTIVE MERIT INCREASES

STATEMENT OF CONDITION: During FY2015, 2,633 City employees received a salary merit/step increase based on their performance evaluation score. Of the 2,633 increases, 1,309 or 50% were performed, on average, 62 days after the employee's performance review date. In a sample conducted on this population, it took the respective departments, on average, 48 days to complete and submit the evaluation to the Human Resources (HR) Department, and took, on average, 20 days to be processed by the HR Department. The Employee Relations Manager does send out a monthly report to remind supervisors of all employees with upcoming salary review dates.

It is our understanding that there are plans to implement the Oracle Performance Management module. With this new module, a supervisor will receive notification that a performance evaluation is due in advance of the performance review date allowing adequate time to plan and complete the review timely. Once complete, a workflow process will be routed to HR for their review and approval.

CRITERIA: Performance evaluations should be completed and submitted to the HR Department before an employee's performance review date to ensure adequate time for processing.

CAUSE: Performance evaluations are not being submitted timely to the HR Department by the respective departments.

EFFECT OF CONDITION: Retroactive merit/step increases result in the employee not receiving their increase timely. It is also highly inefficient as this requires the HR Department to perform a manual retroactive increase calculation that must also be verified by Central Payroll.

RECOMMENDATION 1: The HR Department should continue to remind Departments to submit performance evaluations timely. Once the Oracle Performance Management Module is implemented, the HR Department should fully utilize the automated features available to improve efficiencies in processing merit/step increases. The HR Department should also look into the feasibility of setting up retroactive payment calculations automatically in Oracle.

MANAGEMENT RESPONSE: Agreed.

SEPARATION OF DUTIES

STATEMENT OF CONDITION: During a review of Oracle user access, we noted that two HR employees, who have the ability to add new hires, terminate employees, change employee's assignment and modify pay rates, were also granted the Payroll Manager responsibility. This responsibility allows a user to set up, correct and run all payroll processes, update employee pay methods, process statutory and general deductions, maintain and update employee earnings, deductions and accrual balances, and produce employee W-2s.

CRITERIA: Separation of duties should exist between users who have the ability to add new hires, terminate employees and change employee's assignment, and modify pay rates and users who process payroll.

CAUSE: The Payroll Manager responsibility was carried over from the Oracle development module for these two employees.

EFFECT OF CONDITION: Lack of proper separation of duties could allow a fictitious employee to be created and paid without being detected.

RECOMMENDATION 2: The Payroll Manager responsibility should be removed for these two employees.

MANAGEMENT RESPONSE: Human Resources was not aware that these two employees were granted the Payroll Manager responsibility in Oracle production and the Security Office was immediately notified to correct this error.

TARGET IMPLEMENTATION DATE: This was completed on March 22, 2016.

TERMINATED EMPLOYEE SYSTEM ACCESS

STATEMENT OF CONDITION: During CY2015, 587 employees left employment at the City. It took on average 10 days for the system access to be removed for these employees.

CRITERIA: System access should be removed as soon as possible after an employee has left employment with the City.

CAUSE: The Security Office is currently not included on the Notice of Separation workflow which would allow for an automated alert when an employee is leaving employment.

EFFECT OF CONDITION: This could result in unauthorized changes being made to City systems.

RECOMMENDATION 3: The feasibility of including the Security Office on the Notice of Separation workflow path should be considered.

MANAGEMENT RESPONSE: The Security Office is immediately notified by the Employee Relations Specialists or Employee Relations Manager of any employee when the employee is dismissed or being taken off the job. All other employee resignations or retirements require that the employee provide a two week notification of their separation. Prior to implementation of the Oracle system, the Security Office received daily reports of exiting employees. With the new Oracle system, that feature was not available. However, an infoview report is currently in testing by the Technology & Innovation Department to provide the notification as it was in the prior system.

TARGET IMPLEMENTATION DATE: Notification of dismissed employees as further explained in the Management Response is already in practice. Technology & Innovation will complete testing of the additional report dependent on their work schedule.