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## HIGHLIGHTS

Highlights of City Auditor Report #1503, a report to the City Commission and City management

### WHY THIS AUDIT WAS DONE

In October 2014, City management directed staff from Parks, Recreation and Neighborhood Affairs (PRNA) Administration to complete a review of the payrolls submitted by the Jack McLean, Jr. Community Center (Center) during the 2014 fiscal year. This action was taken in response to management concerns that some of the Center's payroll records may have been fraudulently prepared by a Center Assistant Supervisor. The PRNA report indicated that 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. We commend City management for the very timely actions taken with respect to the initiation and the completion of the PRNA review of the Center's payroll records.

City management asked that the City Auditor review PRNA Administration's report and determine, if possible, what happened and how much was potentially misappropriated. In response, the City Auditor directed this audit inquiry be conducted.

### WHAT WE RECOMMENDED

Our audit inquiry disclosed that while the PRNA had developed timekeeping procedures which, as to design, met the requirements of the City, many of the controls were not utilized at the Center. Accordingly, we recommended that PRNA's existing timekeeping controls be fully implemented at the Center.

To address findings indicating that some employees may have been paid for more than the hours actually worked, 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 and that City management, in determining whether to pursue repayment, consider the costs of collection in relation to the amounts due. We also recommended that the PRNA immediately test the timekeeping records of the other PRNA facilities to determine the extent to which, if any, unauthorized timekeeping practices may be in use. Further, we recommended that PRNA consider whether underpayments may have actually occurred for some employees.

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January 28, 2015

## Jack McLean, Jr. Community Center Timekeeping Processes

*Overall, we concluded that PRNA controls were not utilized at the Center, and because the controls were not utilized, errors could occur without reasonable chance of timely detection. Both a PRNA review and our inquiry identified such errors. Recommendations were made to address the control issues and the potential payment errors.*

### WHAT WE CONCLUDED

As a part of this audit inquiry, we evaluated the effectiveness of applicable internal controls and tested the extent to which Center part-time employees were properly and correctly paid for hours worked.

The City has promulgated in Administrative Policy and Procedure (APP) 615 the requirements relative to timesheet content, review, and approvals. We found that the PRNA had developed timekeeping procedures which, as to design, meet the requirements of APP 615. However, based on the results of our audit, and as observed in the PRNA review, the controls were not utilized at the McLean Community 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. 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 has reviewed and approved the Sign-In and Sign-Out Sheets and that the information thereon is consistent with the information shown in other payroll records.
- Center Supervisors ensure that all Center timekeeping records are retained.
- PRNA administrative staff not routinely involved in timekeeping processes periodically review the timekeeping records of each facility.

Both a PRNA review and our inquiry identified potential payment errors, many of which related to differences between the number of hours worked, as shown on Sign-In and Sign-Out records, and the number of hours that were shown on other payroll records. To the extent that these errors may represent overpayments, 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 and that City management, in determining whether to pursue repayment, consider the costs of collection in relation to the amounts due.

Office of the City Auditor

# ***Inquiry into***

## ***Parks, Recreation, and Neighborhood Affairs Department Jack McLean, Jr. Community Center Timekeeping Processes***

**Report #1503**

**January 28, 2015**

### ***Summary***

**Overview.** In October 2014, City management directed staff from Parks, Recreation and Neighborhood Affairs (PRNA) Administration to complete a review of the payrolls submitted by the Jack McLean, Jr. Community Center (Center) during the 2014 fiscal year. This action was taken in response to management concerns that some of the Center's payroll records may have been fraudulently prepared by a Center Assistant Supervisor.

We commend City management for the very timely actions taken with respect to initiation and completion of the PRNA review of the Center's payroll records. PRNA's preliminary report describes 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 that were submitted to PRNA Administration and used for the purpose of preparing biweekly payrolls. 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 indicates 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.

City management asked that the City Auditor

review PRNA Administration's report and determine, if possible, what happened and how much was potentially misappropriated. As part of our audit inquiry, we evaluated the effectiveness of applicable internal controls and tested 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.

**Internal Controls.** As part of our audit inquiry, we determined the extent to which the City's internal controls (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. In evaluating the controls, we obtained an understanding of Administrative Policy and Procedure (APP) 615, which promulgates the requirements relative to City timesheet content, review, and approvals.

We found that the PRNA had developed timekeeping procedures which, as to design, meet the requirements of APP 615. However, based on the results of our audit inquiry, and as acknowledged by PRNA management at the beginning of the audit inquiry, many of the controls were not utilized at the Center. For example, our tests disclosed many instances in which required employee and supervisor initials were not present on Sign-In and Sign-Out records and an absence of indications that required record verifications and management monitoring of timekeeping processes had occurred.

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.

It is our understanding that the City is in the process of automating timekeeping processes to the greatest extent practicable. Automation of the PRNA processes would eliminate opportunities for many of the errors and manipulation that are present in the current manual processes. However, until timekeeping processes are automated, we recommend that PRNA's existing timekeeping controls be fully implemented at the Center.

**Audit Inquiry Tests and Results.** As part of our audit inquiry, we also conducted tests of Center timekeeping records and a reconciliation of those timekeeping records to the City's PeopleSoft HRMS payroll records. The purpose of these audit procedures was to 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. Our audit disclosed 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.

In addition to the implementation of the necessary controls, we recommend 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 may include 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, PRNA management should consider consulting the City Attorney and consider the costs of collection in comparison to the amounts due.

We also recommend that the PRNA immediately test the timekeeping records of the 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 recommend that PRNA consider whether underpayments may have actually occurred. In those instances in which underpayments did occur, employees should be compensated for hours worked.

As indicated above, PRNA Administration has examined the timekeeping records of the Center and has developed a preliminary report. As part of our audit, we compared the findings included in the PRNA preliminary report to the results of our audit tests. Details relating to any differences between the PRNA findings and our audit findings have been provided to PRNA for further consideration.

### ***Scope, Objectives, and Methodology***

The Office of the City Auditor is an independent appraisal activity within the City organization for the review of operations as a service to the City Commission and to management. Accordingly, we periodically respond to requests from City departments to independently review instances of violations of established internal control policies or procedures.

We conducted this inquiry 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 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 objectives.

Our scope of work 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 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, PRNA Administration has 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.

## Background

The City Auditor's Office was advised by City management of the possibility that some of the Jack McLean, Jr. Community Center's (Center) payroll records may have been fraudulently prepared. Management indicated that an employee at the Center had been reprimanded for misrepresenting the hours of another employee at the Center. According to management, the reprimanded employee then subsequently stated that in preparing the Center's payroll, she had, for some part-time employees, added hours to the number of hours actually worked because she believed those employees were deserving of additional compensation. Following this revelation, the employee was placed on administrative leave and shortly thereafter resigned on October 20, 2014.

In addition, PRNA management indicated the Center's Supervisor had been placed on administrative leave pending a determination of the Supervisor's participation in or knowledge of the unauthorized timekeeping record adjustments. Following PRNA's determination that the Supervisor had no involvement or knowledge of the adjustments, the Supervisor was allowed to return to work.

In response to the employee's remarks, City management directed staff from PRNA Administration to complete a review of the payrolls submitted by the Center during the 2014 fiscal year. That report confirms the existence of numerous differences between the hours worked, as shown by the Center's Sign-In and Sign-Out records, and the hours summarized and shown on the Payroll Sheets that were submitted to PRNA Administration and used for the purpose of preparing biweekly payrolls. 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 indicates 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. According to the City's PeopleSoft HRMS records, during the 2014 fiscal year, the total amount charged to the Center for the salaries of part-time PRNA staff totaled approximately \$107,000.

City management asked that the City Auditor review PRNA Administration's report and determine, if possible, what happened and how much was potentially misappropriated.

PRNA management indicated that PRNA controls that would have detected these payroll errors were not applied. The controls not applied included periodic comparisons of the Sign-In and Sign-Out Sheets to Payroll Sheets by the Center Supervisor and a periodic review of the payroll documentation by PRNA Administration.

### *Overview of PRNA's Timekeeping Processes*

Our understanding of the timekeeping processes relevant to the Jack McLean, Jr. Community Center (Center) were obtained through interviews of PRNA's Administrative Services Manager (ASM) and reviews of applicable Center and PRNA records supplied to us by the ASM. We also obtained and reviewed relevant data obtained from the PeopleSoft Human Resource Management System (PeopleSoft HRMS). The following is a description of the timekeeping and payroll preparation processes of the Center, including those activities that are to be performed at the Center by Center staff and those activities that are to be performed by PRNA administrative staff:

- A Work Schedule is prepared for each week to ensure that the Center is adequately staffed. 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 by 2 p.m. each Monday afternoon. The Center Supervisor is then to print any e-mails

regarding errors, if applicable, and then store in Center files the following:

- The week’s Work Schedule.
  - The Sign-In and Sign-Out Sheet with staff and supervisory staff initials for each day and the Assistant Center Supervisor’s signature, as added at the end of week.
  - The Payroll Sheet.
  - If applicable, any e-mails identifying any changes needed.
- 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 is 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.

## *Controls Evaluation*

The City has promulgated in Administrative Policy and Procedure (APP) 615 the requirements relative to timesheet content, review, and approvals. We found that the PRNA had developed timekeeping procedures which, as to design, meet the requirements of APP 615. However, based on the results of our audit, the controls were not utilized at the McLean Community Center. Our inquiry disclosed the following control deficiencies:

- According to PRNA’s ASM, the PRNA timekeeping procedures described above had not been recently communicated in writing to staff, although applicable staff have been advised of the procedures during training sessions. Written communication of the required timekeeping procedures may better ensure understanding and compliance.
- No Sign-In and Sign-Out Sheets could be located for five of the 53 weeks included in the audit period. Table 1 provides additional information relative to these weeks. Absent the applicable Sign-In and Sign-Out Sheets, City records lack employee and supervisory confirmation that the time reported as worked is accurate and complete.

<b>Table 1</b>		
<b>Weeks for Which Sign-In and Sign-Out Sheets Were not Available</b>		
Week Ending	Total Hours Shown by Payroll Sheet	Total Charges Shown by Payroll Sheet
October 4, 2013	184.25	\$1,470.05
October 11, 2013	188.75	\$1,505.11
January 10, 2014	234.75	\$1,904.02
August 15, 2014 (1)	8.00	\$86.41
September 12, 2014	227.50	\$1,901.19
<b>Totals</b>	<b>843.25</b>	<b>\$6,866.78</b>
Note (1): Payroll Sheet indicates Center closed for week.		

- For the Sign-In and Sign-Out Sheets included in our tests, we found that for nine of the 20 weeks tested, the initials of at least one employee were not shown next to the dates and times worked as shown on the Sheets. The employee initials serve to confirm the accuracy and completeness of the hours reported as worked.
- For the 20 weeks tested, none of the Sign-In and Sign-Out Sheets were initialed by applicable supervisory staff or signed by an Assistant Supervisor. Observation of the Sign-In and Sign-Out Sheets for additional weeks disclosed no instance in which the Sheets had been initialed by applicable supervisory staff or signed by an Assistant Supervisor. Supervisory verification of the Sign-In and Sign-Out Sheets provides additional assurance of the accuracy and completeness of the hours worked as recorded by the employees, as well as evidence of the approving supervisor's concurrence with the employee's assertions as to the hours worked.
- We were provided with no evidence to show that the Center Supervisor had reviewed (compared) Payroll Sheets and Sign-In and Sign-Out Sheets.
- During the period covered by our inquiry, PRNA administrative staff had not monitored Center compliance with established procedures by comparing selected Center Sign-In and Sign-Out Sheets with the related Payroll Sheets. Such comparisons would facilitate a timely identification of noncompliance with PRNA procedures and errors in the preparation of payroll records.
- For the payrolls processed during the period covered by this audit inquiry, PRNA did not require periodic reconciliations of the hours shown on the Sign-In and Sign-Out Sheets and Payroll Sheets to the related data recorded in PeopleSoft HRMS. The data recorded in PeopleSoft HRMS are used for

the production of Center payroll-related transactions. Any differences between the work hours shown by the PeopleSoft data and the work hours shown by Center records should be identified and reviewed for propriety.

Because the controls were not utilized, errors, such as those described below under the subheading, *Tests of Center Timekeeping Records*, 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. For example, timekeeping records lacking employee and/or supervisor initials affirming the accuracy and completeness of the dates and times worked are less reliable and credible than timekeeping records bearing employee and supervisor initials.

PRNA's current timekeeping processes are heavily dependent upon manual operations. That is, employees must manually enter the dates and times worked on the Sign-In and Sign-Out Sheets. The information shown on the Sign-In and Sign-Out Sheets must then be manually summarized and manually entered on a Payroll Sheet. The information on the Payroll Sheet must then be manually input into the City's automated human resources management system (PeopleSoft HRMS) and then verified against an Edit Sheet showing the information entered into PeopleSoft HRMS. It is our understanding that the City is in the process of automating timekeeping processes to the greatest extent practicable. Automation of the PRNA processes would eliminate opportunities for many of the errors and manipulation that are present in the current manual processes. However, until timekeeping processes are automated, we recommend:

- 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 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 information recorded in PeopleSoft HRMS.
- Center Supervisors ensure that all Center timekeeping records are retained on file at the Center.
- PRNA administrative staff, who are 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.

### ***Tests of Center Timekeeping Records***

As indicated above under the *Overview of PRNA's Timekeeping Processes* heading, information concerning the hours worked each week was to be recorded initially by each employee on the Sign-In and Sign-Out Sheet for the week. The information on the Sign-In and Sign-Out Sheet was then to be reviewed by the Center's Assistant Supervisor and manually recorded on a weekly Payroll Sheet. When completed, the Payroll Sheet was to be e-mailed by the Assistant Supervisor to the PRNA Administrative Specialist, who was responsible for entering into an automated timekeeping system the information regarding each employee's name, the hours worked under each applicable pay code, and the cost center and project codes that were to be charged. Subsequently, this information was to be uploaded by the Payroll Division into the City's PeopleSoft applications for the production of biweekly payrolls. The information recorded in

each of these records and systems should match with respect to the number of hours worked, the pay codes used, and the cost centers and projects charged. Should there be differences, City records should be available to explain the differences, including their cause, and to document management authorization for any related adjustments.

For the period covered by our audit inquiry, we conducted tests comparing the hours shown by the Center's Sign-In and Sign-Out Sheets to the hours recorded in the Center's Payroll Sheets, and a reconciliation of the hours shown by the Payroll Sheets to the hours recorded in PeopleSoft HRMS for use in the production of payrolls. As described under the two subheadings below, our audit disclosed the existence of significant unexplained differences in the number of hours recorded for some employees.

### **Comparison of Sign-In and Sign-Out Sheets to Payroll Sheets**

For the 20 weeks selected for testing, our comparisons of the hours shown by the Sign-In and Sign-Out Sheets to the hours shown by the Payroll Sheets disclosed a significant number of differences indicative of the overpayment of wages. Our test also disclosed evidence that underpayments may have occurred in some instances. Specifically:

### **Potential Overpayments**

- As shown in Appendix A, on page 12 of this report, we found 115 instances in which the hours earned by particular employees, as shown for the week by the applicable Sign-In and Sign-Out Sheets, was less than the hours reported for the employee, as shown by the corresponding Payroll Sheets submitted for payroll production. For those 115 instances, the differences totaled 614.75 hours. We have been unable to determine from the Center records provided for our review explanations for these differences. Many of the differences may have resulted from



unintentional clerical or mathematical errors in calculating the hours worked. However, in observing our test results week by week, as shown by Appendix A, we noted that there were certain employees for whom the hours shown were consistently lower on the weekly Sign-In and Sign-Out Sheets than on the weekly Payroll Sheets. For example, for seven of the employees (Employees 2, 3, 4, 6, 8, 13, and 14), the hours shown as earned on the Sign-In and Sign-Out Sheets were less than the hours shown by the Payroll Sheets for six or more of the 20 weeks tested, in amounts ranging from 0.25 to 24 hours per week. As noted under the **Background** heading of this report, PRNA management indicated to us that a former employee had advised management that in preparing the Center's payroll, she had, for some part-time employees, added hours to the number of hours actually worked because she believed those employees were deserving of additional compensation.

- City Personnel Policies and Procedures, Section 706.03, allows employees to take a break of at least 30 minutes for lunch or dinner. The Sign-In and Sign-Out Sheet form includes a space to record the time that the unpaid breaks occur each day, and it is reasonable to expect to see time recorded daily for such breaks when a significant number of hours are worked. Our audit tests disclosed many instances in which the Sign-In and Sign-Out Sheets show employees who worked for more than six consecutive hours, but no instance in which the time taken for lunch or dinner breaks had been recorded. In some of these instances, the applicable employees had reported ten or more consecutive hours worked without a lunch or other break. In those instances, a noncompensable lunch or dinner break may have been taken, but not recorded, thereby resulting in reporting time as worked which was not worked.

### **Potential Underpayments**

- In 35 instances, the hours shown as earned by the Sign-In and Sign-Out Sheets were more than the hours included in the Payroll Sheet for the applicable week. In these instances, as shown by Appendix B, the apparent under-reported work of 19 employees totaled 175.25 hours. For seven of these employees, none of the hours shown as worked for one or more weeks had been included in the related weekly Payroll Sheet.

Details regarding our findings have been provided to PRNA Administration. As noted under the heading **Controls Evaluation**, had the PRNA controls been applied, many of the differences between the Sign-In and Sign-Out Sheets and the Payroll Sheets would have been timely detected and corrected.

In addition to the implementation of the necessary controls, we recommend 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 may include 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, PRNA management should consider consulting the City Attorney and consider the costs of collection in comparison to the amounts due.

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

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

**Reconciliation of Payroll Sheets to PeopleSoft HRMS Data**

In the preceding section of this report, we discussed our findings with respect to our test of the Center’s Sign-In and Sign-Out and Payroll Sheet records. As part of our audit, we also reconciled the Center’s Payroll Sheet information to the related information shown by the City’s PeopleSoft HRMS records. As previously noted, the information recorded in each Payroll Sheet and in PeopleSoft HRMS should match with respect to the number of hours worked, the pay codes used, and the cost centers and projects charged. City records should be available to explain any differences, including their cause, and to document management authorization of any related adjustments. Our reconciliation identified *additional* indications of overpayments

and underpayments, and some instances in which work hours (and related salary payments) had been misclassified as to the benefitting PRNA facility. Specifically, our reconciliation procedures disclosed:

**Potential Overpayments**

- As summarized in Table 2, we found 14 instances in which the hours reported in PeopleSoft HRMS for an employee exceeded the hours shown for the employee on the applicable week’s Payroll Sheet. The hours in PeopleSoft HRMS exceeded the hours shown by the Payroll Sheets (and the related Sign-In and Sign-Out Sheets) by a total of approximately 110 hours. In these instances, PRNA staff did not locate documentation justifying the differences.

<b>Table 2 Reconciliation Results Hours Compensated, But Unsupported by Timekeeping Records Potential Overpayments (In Hours)</b>									
Week Ending	Employee								Totals
	2	5	9	10	14	15	16	31	
1/24/2014						2.00			2.00
2/28/2014						.25			.25
4/25/2014							3.75		3.75
5/2/2014							.25		.25
5/9/2014							1.12		1.12
5/16/2014							2.37		2.37
6/6/2014						3.50			3.50
7/11/2014	10.00	35.00	5.00		7.50	6.50			64.00
7/18/2014								3.00	3.00
7/25/2014				30.00					30.00
<b>Totals</b>	<b>10.00</b>	<b>35.00</b>	<b>5.00</b>	<b>30.00</b>	<b>7.50</b>	<b>12.25</b>	<b>7.49</b>	<b>3.00</b>	<b>110.24</b>

**Potential Underpayments**

- We found five instances, as indicated in Table 3, in which the hours reported in PeopleSoft HRMS for an employee were less than the hours shown for the employee on the week’s Payroll Sheet. In these five instances, PRNA staff did not locate documentation justifying the differences. In these instances, the hours in PeopleSoft were less than the hours shown by the Payroll Sheets by a total of 44 hours.

<b>Table 3 Reconciliation Results Hours Not Compensated, But Shown as Worked by Timekeeping Records Potential Underpayments (In Hours)</b>					
Week Ending	Employee				Totals
	1	3	28	30	
11/8/2013	8.00				8.00
3/14/2014		10.00			10.00
3/28/2014	1.00				1.00
7/18/2014				3.00	3.00
8/8/2014			22.00		22.00
<b>Totals</b>	<b>9.00</b>	<b>10.00</b>	<b>22.00</b>	<b>3.00</b>	<b>44.00</b>

**Misclassifications**

- We found 14 instances in which hours had been charged in PeopleSoft HRMS to the incorrect PRNA facility. In eight of these instances totaling approximately 157 hours, the hours were charged to the Center, but should have been charged to another facility. In the remaining six instances totaling 32 hours, the hours were charged to another facility, but should have been charged to the Center.

Details regarding the differences in records, as disclosed by our reconciliation, have been provided to PRNA for further consideration and payroll actions as determined appropriate. As noted under the heading *Controls Evaluation*, PRNA had not adopted as part of its processes a requirement for periodic reconciliations of the hours shown on the Sign-In and Sign-Out Sheets

and Payroll Sheets to the related data recorded in PeopleSoft HRMS. Such reconciliations would have more timely detected the errors disclosed by our audit inquiry.

**Conclusions and Recommendations**

As part of our audit inquiry, we determined 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. In evaluating the controls, we obtained an understanding of APP 615, which promulgates the requirements relative to City timesheet content, review, and approvals.

We found that PRNA had developed timekeeping procedures which, as to design, meet the requirements of APP 615. However, based on the results of our audit, and as acknowledged by PRNA management at the beginning of the audit, many of the controls were not utilized at the Center. Because the controls were not utilized, errors, such as those described in the PRNA report and those disclosed by our audit inquiry, 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.

It is our understanding that the City is in the process of automating timekeeping processes to the greatest extent practicable. Automation of the PRNA processes would eliminate many of the errors and opportunities for manipulation that are present in the current manual processes. However, until timekeeping processes are automated, we recommend:

- 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 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 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.

In addition to the implementation of the necessary controls, we recommend 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 may include 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, PRNA management should consider consulting the City Attorney and consider the costs of collection in comparison to the amounts due.

We also recommend 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 recommend that PRNA consider whether underpayments may have actually occurred. In those instances in which underpayments did occur, employees should be compensated for hours worked.

### *Appointed Official's Response*

**City Manager:**

We appreciate the thorough and timely job the City Auditor's staff did in examining payroll issues at the Jack McLean Community Center and the steps the Parks, Recreation and Neighborhood Affairs department has already 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.

**APPENDIX A**  
**Test of Timekeeping Records**  
**Potential Overpayments (In Numbers of Hours)**

Week Ending	Employee																							Total Hrs.
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	23		
10/18/13			2.75			3.5		1						4									11.25	
11/01/13								4															4.00	
11/15/13	5.5		12.5			1					0.25			1	0.75							21.00		
11/29/13	4.5		19	1.5	4	5		4			0.5		1.25									39.75		
12/13/13			6	1.5		2	18	6							0.75							34.25		
12/27/13			9.5	1.5	6	9		4			0.5		1.5	3								35.00		
01/24/14			3.5	0.75		12		4					0.5									20.75		
02/07/14				1	8.5	14		2	7						4.5							37.00		
02/21/14			0.5	1		18.5		2														22.00		
03/07/14				1		13.5		2							1							17.50		
03/21/14		5	12	1		17		2					0.25									37.25		
04/04/14		4.5		1		14.5	1	2			0.75		3	4.5	1.25	1						33.50		
04/18/14				1		15		7														23.00		
05/02/14	2	5.5	14	1		16.75	1.75	2					4.75									47.75		
05/16/14	8	4.5		0.5		15.75		1.5					1.75	13.5								45.50		
05/30/14				2.5		24		2					4	5								37.50		
06/13/14				1		15.5				0.25		0.25			13.5	0.75	3					34.25		
06/27/14				1		16					5.5											22.50		
07/11/14		2		1		12							6.5		5			5	5		3	5	44.50	
07/25/14		9.5		1		15							18							3			46.50	
<b>Total Hrs.</b>	<b>20</b>	<b>31</b>	<b>79.75</b>	<b>19.25</b>	<b>18.5</b>	<b>240</b>	<b>20.75</b>	<b>45.5</b>	<b>7</b>	<b>0.25</b>	<b>7.5</b>	<b>0.25</b>	<b>41.5</b>	<b>36.5</b>	<b>21.25</b>	<b>1.75</b>	<b>3</b>	<b>5</b>	<b>5</b>	<b>3</b>	<b>3</b>	<b>5</b>	<b>614.75</b>	
<b>Count</b>	<b>4</b>	<b>6</b>	<b>9</b>	<b>17</b>	<b>3</b>	<b>19</b>	<b>3</b>	<b>15</b>	<b>1</b>	<b>1</b>	<b>5</b>	<b>1</b>	<b>10</b>	<b>8</b>	<b>5</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>115</b>	

**APPENDIX B**  
**Test of Timekeeping Records**  
**Potential Underpayments (In Numbers of Hours)**

Week Ending	Employee																			Total Hrs.
	2	3	4	5	7	8	9	11	12	13	15	16	17	24	25	26	27	28	29	
10/18/13							0.25													0.25
11/01/13		0.5																		0.5
11/15/13	3.5		3	0.25	5		0.5			0.25										12.5
11/29/13	0.25				15						0.25									15.5
12/13/13																				0
12/27/13											5.5									5.5
01/24/14												3.5								3.5
02/07/14					2						0.25						29.5			31.75
02/21/14				4.5							0.25									4.75
03/07/14		4.25																		4.25
03/21/14												0.75								0.75
04/04/14		1.75																		1.75
04/18/14																				0
05/02/14																				0
05/16/14																				0
05/30/14								3												3
06/13/14						0.75														0.75
06/27/14	0.5																			0.5
07/11/14									10				2			14.5		13.5	9.25	49.25
07/25/14											4.5			0.25	7.5	7.5		7.5	13.5	40.75
<b>Total Hrs.</b>	4.25	6.5	3	0.25	26.5	0.75	0.75	3	10	0.25	10.75	4.25	2	0.25	7.5	22	29.5	21	22.75	<b>175.25</b>
<b>Count</b>	3	3	1	1	4	1	2	1	1	1	5	2	1	1	1	2	1	2	2	35

<b>Appendix C – Management’s Action Plan</b>		
Action Steps	Responsible Employee	Target Date
<p><b>A. Objective:</b> 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.</p>		
1) PRNA will disseminate to staff written timekeeping procedures.	Gia Scruggs	Completed* 10/16/14
2) Assistant Center Supervisors will ensure that all employee and supervisor initials are present on Sign-In and Sign-Out Sheets.	Gia Scruggs	Completed* 10/16/14
3) 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.	Gia Scruggs	Completed* 10/16/14
4) Center Supervisors will ensure that all Center timekeeping records are retained on file at the Center.	Gia Scruggs	Completed* 10/16/14
5) 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.	Gia Scruggs	Completed* 10/9/14
<p><b>B. Objective:</b> 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.</p>		
1) PRNA Administration and City Management will consider recouping funds from the employees that were overpaid taking into account the costs of collection in comparison to the amounts due.	Gia Scruggs	3/1/15
2) PRNA administration will test the timekeeping records of other PRNA facilities to verify compliance with PRNA timekeeping policies and procedures.	Bram Hagen	Completed* 10/25/14
3) PRNA administration will review and attempt to reconcile the Auditor’s findings with PRNA’s initial report.	Gia Scruggs	3/1/15

\*Per PRNA, action plan step has been completed as of the indicated date. Completion will be verified during the audit follow-up process.

Copies of this Inquiry (Report #1503) may be obtained at the City Auditor's web site (<http://www.talgov.com/auditing/index.cfm>) or via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (City Auditor, 300 South Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail ([auditors@talgov.com](mailto:auditors@talgov.com)).

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