

# **Final Audit Follow-Up**

**As of March 31, 2016**



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City Auditor**

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

**Report #1614**

**May 24, 2016**

### **Summary**

*Work has been completed to address all eight action plan steps identified in audit report #1503. Seven of the action plan steps had been completed as of September 30, 2015, and the final action plan step was completed during the follow-up period ended March 31, 2016.*

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 disclosed in report #1503. As shown in our first follow-up report (#1602), seven of the eight steps were completed as of September 30, 2015.

The final action plan step, relating to the actions to be taken by Center Supervisors to ensure the accuracy and completeness of timekeeping records and payrolls, was completed during the follow-up period ended March 31, 2016. Table 1 of this report provides additional details on the status and completion of each of the action plan steps.

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 #1614**

This is our second and final 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 the one remaining action plan step. To determine the status of the action plan step, we interviewed staff 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 disclosed 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. 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. To evidence the review, 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.

### *Previous Conditions 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 audit inquiry report #1503, management developed eight action plan steps. As shown by Table 1 below, seven of the steps were completed in the prior follow-up period, as reported in audit follow-up report #1602, and the final step was completed as of March 31, 2016.

**Table 1**  
**Action Plan Steps from Audit Report #1503**  
**Due as of September 30, 2015, and Current Status as of March 31, 2016**

Action Plan Steps Due as of September 30, 2015	Current Status as of March 31, 2016
<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"> <li>PRNA will disseminate to staff written timekeeping procedures.</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed</b> in the prior follow-up period, as shown in audit follow-up report #1602.</li> </ul>
<ul style="list-style-type: none"> <li>Assistant Center Supervisors will ensure that all employee and supervisor initials are present on Sign-In and Sign-Out Sheets.</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed</b> in the prior follow-up period, as shown in audit follow-up report #1602.</li> </ul>
<ul style="list-style-type: none"> <li>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 (PeopleSoft HRMS).</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed</b> in the current follow-up period. Our review of the McLean Center timekeeping records disclosed that the tested Sign-In and Sign-Out Sheets had been properly approved by the Assistant Center Supervisor and that the information on the Sign-In and Sign-Out Sheets was consistent with the information shown on the related Payroll Sheet. We also noted that an Edit Sheet (payroll verification spreadsheet) had been provided for the review of Center supervisory staff. We further observed that the PRNA Recreation Superintendent, in the Center Supervisor's absence, had reviewed the timekeeping documentation, as evidenced by his signature on a Part-Time Payroll Checklist. The Part-Time Payroll Checklist, the use of which was initiated during the current follow-up period, includes checkboxes for the payroll documents and space for reviewer notes.</li> </ul>
<ul style="list-style-type: none"> <li>Center Supervisors will ensure that all Center timekeeping records are retained on file at the Center.</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed</b> in the prior follow-up period, as shown in audit follow-up report #1602.</li> </ul>
<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed</b> in the prior follow-up period, as shown in audit follow-up report #1602.</li> </ul>

<b><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></b>	
<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed</b> in the prior follow-up period, as shown in audit follow-up report #1602.</li> </ul>
<ul style="list-style-type: none"> <li>PRNA Administration will test the timekeeping records of other PRNA facilities to verify compliance with PRNA timekeeping policies and procedures.</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed</b> in the prior follow-up period, as shown in audit follow-up report #1602.</li> </ul>
<ul style="list-style-type: none"> <li>PRNA Administration will review and attempt to reconcile the Auditor’s findings with PRNA’s initial report.</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed</b> in the prior follow-up period, as shown in audit follow-up report #1602.</li> </ul>

**Table Legend:**

- Issue to be addressed from the original audit.
- ✓ Issue addressed and completed.

***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 were completed as reported in prior audit follow-up report #1602, and the final step was completed during the follow-up period ended March 31, 2016.

The final step resolved during this follow-up period relates to the actions to be taken by the Center Supervisor to 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 (PeopleSoft HRMS).

We appreciate the cooperation and assistance provided by PRNA 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 has 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 minimize future occurrences of this nature.

Copies of this final audit follow-up report #1614, the first follow-up report #1602, and the original audit 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](mailto:auditors@talgov.com)).

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