



Jacksonville Sheriff's Office Payroll Audit - #780

Executive Summary

Why CAO Did This Review

Pursuant to Section 5.10 of the Charter of the City of Jacksonville and Chapter 102 of the Municipal Code, we conducted an audit of the payroll for the Jacksonville Sheriff's Office (JSO). JSO was intentionally excluded from the testing in the City Payroll Audit (Report #762, released March 2, 2015) due to the separate electronic timekeeping system that is used exclusively by JSO.

What CAO Recommends

We recommend that JSO develop written standard operating procedures for payroll, move away from manual timekeeping, enhance review of payroll batches and require all employees to attest to time worked.

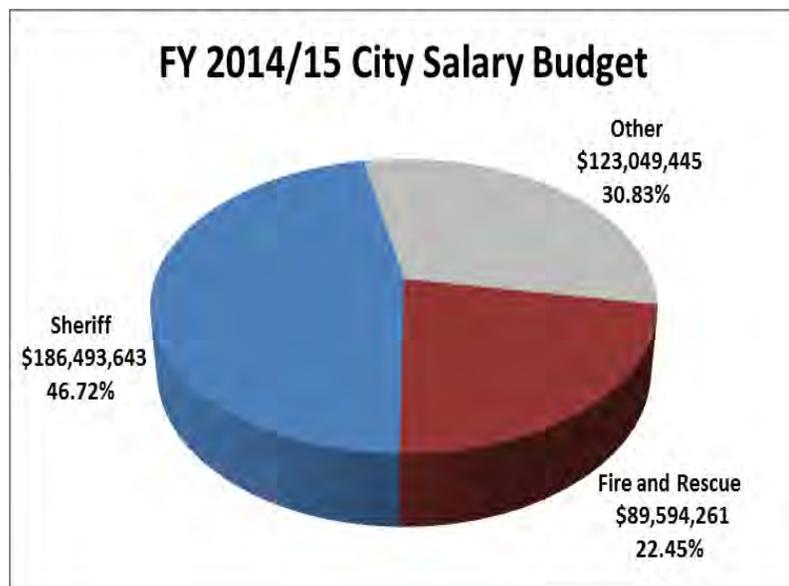
We recommend that the City improve the process of creating, changing, and testing elements in the payroll system which would include supporting documentation with the approval and purpose.

Also, the City needs to ensure that shift differential pay is applied consistently and in accordance with the collective bargaining agreement requirements.

What CAO Found

In general we found that pay to JSO employees was properly supported, accurately calculated and timely paid; however, we identified various internal control weaknesses, findings, and opportunities for improvement that need to be addressed. Some significant items noted include:

- JSO lacked detailed payroll procedures.
- JSO relied on manual timekeeping processes for some employees.
- JSO's secondary review for payroll batches was inadequate.
- JSO did not require all employees to attest to time worked.
- The City had inadequate supporting documentation related to the creation and maintenance of pay elements within the Human Resources and Payroll System.
- Shift differential pay was inconsistently applied for officers, which also affected overtime rates.





Council Auditor's Office

Jacksonville Sheriff's Office Payroll Audit

November 5, 2015

Report #780

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EXECUTIVE SUMMARY

AUDIT REPORT #780

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OFFICE OF THE COUNCIL AUDITOR
Suite 200, St. James Building



November 5, 2015

Report #780

Honorable Members of the City Council
City of Jacksonville

INTRODUCTION

Pursuant to Section 5.10 of the Charter of the City of Jacksonville and Chapter 102 of the Municipal Code, we conducted an audit of the Jacksonville Sheriff's Office (JSO) payroll. JSO was intentionally excluded from the testing in our City Payroll Audit (Report #762, released March 2, 2015) due to the separate electronic timekeeping system that is used exclusively by JSO.

In the FY 2014/15 budget, a total of 3,039 full-time positions and 619,864 part-time hours were approved by the City Council for JSO's operations. Salaries and benefit payments represented \$341 million of JSO's overall \$405 million dollar budget. Salaries totaled \$186 million of which \$7.8 million was overtime.

The JSO Timekeeping System was developed by the City's Information Technologies Division (ITD) to track employees' attendance and leave. The data is then electronically uploaded into the City's Human Resources and Payroll System, which processes payments to all City employees. JSO has its own payroll staff, in addition to staff that performs human resources functions. Although the majority of JSO employees use the JSO Timekeeping System, certain employees rely on other timekeeping records that must be keyed into the City Human Resources and Payroll System manually.

STATEMENT OF OBJECTIVE

To determine whether pay to JSO employees was properly supported, accurately calculated, and timely paid.

STATEMENT OF SCOPE AND METHODOLOGY

The scope of our audit was applicable to the period April 1, 2014, through March 31, 2015, and included payments issued by the City to JSO employees during that period. A limited number of JSO employees were in certain positions that received added protection for their identity under the State Sunshine Laws. Although Section 119.07(6), Florida Statutes, allows our office to access such records for audit purposes, we chose to omit the payments to that limited group of employees from our scope to further maintain the protection of records that could reveal the

identities. In addition, we had no knowledge of a reason why the omission would impact our audit conclusion.

To gain an understanding of JSO's timekeeping and payroll-related processes we interviewed personnel, performed observations, analyzed risk factors, and applied various procedures to assess internal controls. We also reviewed the relevant written policies and procedures and applicable laws, rules, and regulations. Based on our understanding, we designed procedures to test the processes using payroll and timekeeping records maintained by the City and JSO. Our tests were designed as follows:

- We judgmentally selected two regular payroll periods for testing. Those periods were May 31 through June 13, 2014, and January 10 through 23, 2015, and the associated payrolls were paid on June 20, 2014, and January 30, 2015, respectively. For these payrolls we performed the following procedures:
 - Verified that the hours information from the JSO Timekeeping System reconciled with Human Resources and Payroll System payroll registers;
 - Verified that actual pay rates for all officers were consistent with the appropriate step-level, as determined by the officer's position and years of service per the Human Resources and Payroll System;
 - Verified that all employee pension contribution amounts were accurate based on the earnings and contribution detail from the payroll register and the pension code in the Human Resources and Payroll System.
- We selected a sample of 99 payments from a population that included the two payrolls above in addition to off-cycle or supplemental payments that were processed during the two weeks prior to those payrolls. For the sample, we performed the following procedures:
 - Verified that hours paid were properly supported by time and attendance records;
 - Verified that time and attendance records were properly reviewed and approved;
 - Verified that pay rates were properly supported and in accordance with the applicable laws, rules, and regulations;
 - Verified the legitimacy of off-cycle payments;
 - Reviewed payroll deductions for reasonableness;
 - Verified that leave balances were properly deducted, if applicable;
 - Verified that the payment was timely.
- We also selected five additional, judgmental samples by pulling from the two payrolls above and the overall population when necessary, and applied audit procedures to test the following transactions for accuracy, timing, and proper support:
 - Off-cycle payments;
 - Final payments to terminated employees;
 - Payments to newly hired employees;
 - Payments for selling back unused leave, including holidays;
 - Service date adjustments for employees who used leave without pay.

Finally, we applied various analytical procedures that included reviewing the payroll data for reasonableness and researching unusual trends and other anomalies.

REPORT FORMAT

Our report is structured to identify Internal Control Weaknesses, Audit Findings, and Opportunities for Improvement as they relate to our audit objectives. Internal control is a process implemented by management to provide reasonable assurance that they achieve their objectives in relation to the effectiveness and efficiency of operations and compliance with applicable laws and regulations. An Internal Control Weakness is therefore defined as either a defect in the design or operation of the internal controls or is an area in which there are currently no internal controls in place to ensure that objectives are met. An Audit Finding is an instance where management has established internal controls and procedures, but responsible parties are not operating in compliance with the established controls and procedures. An Opportunity for Improvement is a suggestion that we believe could enhance operations.

SUGGESTED ADDITIONAL AUDIT WORK

In limiting the scope of this audit, we did not pursue the following areas, and as such they should be considered for future audit work:

- Payments related to work performed by officers while they are off-duty from regular employment with JSO (i.e., secondary employment)

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.

AUDITEE RESPONSES

Responses from the auditee have been inserted after the respective finding and recommendation. We received these combined responses from the City via Kelli O'Leary, Director of Employee Services, and Ken Lathrop, Division Chief of Information Technologies Division, in a memorandum on June 7, 2016. We received responses from Chief Lawrence Schmitt, Chief of JSO Personnel, in a memorandum on July 5, 2016.

AUDIT CONCLUSION

In general we found that pay to JSO employees was properly supported, accurately calculated and timely paid; however, we identified various internal control weaknesses, findings, and opportunities for improvement that need to be addressed.

AUDIT OBJECTIVE

To determine whether pay to JSO employees was properly supported, accurately calculated, and timely paid.

Internal Control Weakness 1 *Inadequate Supporting Documentation for Pay Elements*

The Human Resources and Payroll System was setup to process the payments using “pay elements” that were designed by the City’s ITD based on requests from the City’s Employee Services Department, and each one was created for processing a specific type of earnings. However, the City was unable to provide documentation to evidence each pay element’s intended purpose, proper method of calculation, relationship to other system processes, or tests completed by management to confirm that it produced the intended results.

We requested the City’s assistance in explaining how the payroll system processed certain pay elements we encountered during the course of our audit procedures. For example, one request was for how the system calculated overtime earnings when the work was performed on a holiday, or “OT Police Holiday” earnings. In addition to requests of JSO, we also made requests to the City’s Employee Services Department, Payroll Office, and ITD. Based on a lack of existing documentation, ITD ultimately reviewed the internal programming code language and logs for the system to provide information related to our requests. However, this information did not provide sufficient assurance that each element had been properly developed or that the system was operating as the City intended. Examples of this issue can be seen in multiple findings below.

A lack of documentation to provide evidence that changes to the Payroll System were authorized, tested, and approved represents an increased risk for repeated errors in the payments made to JSO employees. In addition, the City is limited in its ability to demonstrate that information systems processes were developed and maintained in a controlled manner. Finally, without documentation to identify which elements were related within the various system processes, the City may find it difficult to determine whether or not changes applied to one element for developing a given process would have unintended consequences for a different process.

Recommendation to Internal Control Weakness 1

We recommend that the City's Employee Services Department establish written policies and procedures to ensure that new pay elements are properly authorized, tested, approved, and documented. We also recommend that ITD review any existing standard operating procedures (SOP) that govern the process of developing and maintaining systems like the City's Payroll and JSO Timekeeping Systems to determine whether or not any specific requirements related to documentation should be added or enhanced.

City's Response to Internal Control Weakness 1

Agree Disagree Partially Agree

ITD and Employee Services worked in collaboration on this item and agree that the current process is as follows:

- 1) Version Control is maintained for all system changes that are implemented, which also includes ascertaining that program comments are documented identifying the specific changes that are made to the pay elements.*
- 2) For Projects and Major Changes, a System Requirements Specifications (SRS) document is completed and the appropriate sign-off/approval is received from all stakeholders from JSO and Employee Services. In addition, user testing and sign-off are received prior to deploying any system changes to production.*
- 3) For quick requests, ITD tickets are submitted coupled with making sure a completed Pay Elements form is received with the request.*

In an effort to enhance supporting documentation for Pay Elements, the current process will be modified to incorporate the following items:

- 1) Work with customers to include more details on Pay Element form so that the form can function as a complete set of requirements, not only for system development but also for auditing and change purpose.*
- 2) Maintain a central repository of Pay Element forms received via email or attached to an ITD ticket; with the primary request being tracked through the ticketing system and a backup maintained by each requesting area.*
- 3) For any modifications requested for an existing Pay Element, the current Pay Element form will be attached with all documented changes required.*

Internal Control Weakness 2 *Lack of Written SOP for Timekeeping Staff*

JSO had not established written SOP for staff with timekeeping management and payroll-related responsibilities. Written SOP promote compliance with applicable laws, rules, and regulations in a way that is consistent and in alignment with management's objectives. The need for written procedures may have been overlooked due to the long-term experience of the few timekeeping staff members, which allowed operations to continue based on institutional knowledge. However, any future turnover could result in a significant loss of that knowledge and, without well documented procedures, JSO may find it difficult to train new employees. In addition, the

lack of written procedures may have contributed to some of the other weaknesses and findings described below.

Recommendation to Internal Control Weakness 2

We recommend that JSO develop written SOP for timekeeping management and payroll-related responsibilities in a level of detail that is sufficient for instructing new employees. For example, such details might include management expectations, descriptions of how staff should fulfill routine responsibilities and guidance to assist when complex circumstances arise.

JSO Response to Internal Control Weakness 2

Agree Disagree Partially Agree

Although there are instruction manuals for the JSO Time and Attendance software program and the COJ payroll system, along with a Task List for payroll items developed by the JSO Payroll Manager, a JSO Payroll Procedure Manual would benefit the operation.

Internal Control Weakness 3 *Inadequate Secondary Review of Payroll Batches*

JSO procedures, in practice, did not include an effective secondary review of the finalized payroll records prior to transferring them to the City's Payroll Office for processing.

Electronic records: The JSO Timekeeping System transferred records in batches to the Human Resources and Payroll System with limited manual intervention (i.e., the transfer was initiated by a person), and such automated processes generally aid in protecting data integrity. However, JSO payroll staff regularly made manual adjustments after the transfer was complete. Although the adjustments may have been necessary (e.g., to correct known system errors), manual entries should be reviewed by someone other than the person who made them, if possible. The purpose of a secondary review is to aid in the detection of errors or unauthorized changes, and ultimately maintain the integrity of records that are relied on for processing payments.

In addition, we noted that employees on extended leave were re-assigned within the JSO Timekeeping System to an administrative supervisor in the Time and Attendance area of JSO. The administrative supervisor who entered and approved the time and attendance for the employees while they were away was the same person who initiated the payroll batch without anyone else reviewing the records or subsequent payments. Further, the JSO Timekeeping System allowed users in the supervisor role to update employee addresses, and this particular administrative supervisor was also responsible for safeguarding and distributing the checks. When one individual is responsible for entering and approving time and attendance records, initiating payroll and the distribution of any resulting paper checks, the combination presents an opportunity for that individual to misappropriate funds. An effective secondary review would mitigate this risk.

Manual entries: As mentioned above, manual entries should be subject to secondary review. We noted that time and attendance records for employees who did not use the JSO Timekeeping

System were keyed manually into the Human Resources and Payroll System based on paper timesheets provided by various supervisors. Although some of the manual batches were looked over by another payroll staff member, not all of these reviews were documented. Also, there was not an effective mechanism in place for detecting errors or unauthorized entries. For example, a comparison of actual changes to authorized changes would assist a reviewer in identifying keying errors or unexpected items.

Both Electronic and Manual: The Human Resources and Payroll System included an edit check control that required staff to enter the total value of expected inputs for each batch of finalized records before they could transfer the batch to City Payroll for processing. To alert the staff of errors, the control was designed to return an error message if the staff entry did not match a system calculated total for the actual inputs. However, the control was also designed to provide staff with the system calculated total for actual inputs, which enabled them to simply enter the given number instead of their own (separately calculated) amount for expected inputs. As a result, staff forced a match to circumvent the control.

Recommendation to Internal Control Weakness 3

We recommend that JSO establish procedures to ensure a documented secondary review of any manual entries, including adjustments to electronic records and entries keyed directly into the Human Resources and Payroll System. JSO should also begin using the Human Resources and Payroll System's batch edit checks to aid in the detection of errors and unauthorized changes. Finally, JSO should implement a secondary review of the records related to employees who are on extended leave.

JSO Response to Internal Control Weakness 3

Agree Disagree Partially Agree

An analytic review of each payroll is completed before each batch is sent to the COJ Payroll Office. The analytic review includes late leave submissions, leave without pay items, premium pay out of range, part time hours out of range, and overtime hours. Any item of note during the analytical review is investigated and corrections are completed if necessary.

An additional analysis is completed from payroll data downloaded from Oracle on the Wednesday following the payroll run. This analysis checks the hours paid and amounts paid for any abnormalities. Any abnormality is investigated and corrections are completed if necessary. JSO should review procedures to determine if a batch total compared to a footing total (calculated by a second person) can be implemented as part of the batch process. In addition, JSO procedures should be updated to include a second person verification of personnel on extended leave and a second person verification of manual entries.

Internal Control Weakness 4 *Inadequate Custody Trail for Paper Payroll Checks*

There is not a complete documentation trail to demonstrate custody over payroll checks. Records documenting the custody (and release of custody) of paper checks assist in safeguarding the

City's assets by preventing the checks from being lost or cashed by someone other than the intended payee. This is because such records provide a trail. Designated JSO Personnel staff routinely picked up paper checks from the City Payroll Office and delivered them to a designated time and attendance staff member in the JSO Personnel office. The time and attendance staff member mailed checks to terminated employees upon request and distributed other checks from behind the counter in the Personnel Office to the employees or a representative from the area that the employees worked. JSO had established an internal log to record which employees requested checks from the Personnel office; however, we noted an overall inadequate audit trail for the possession and distribution of paper checks. Specifically:

1. A master listing of the checks received from the City Payroll Office did not exist;
2. A record did not exist to confirm that the checks obtained from the City Payroll Office were all successfully provided to the time and attendance staff member;
3. A reliable record to identify which checks were mailed out did not exist, and details such as the mailing date, sender, and whether or not the check was delivered or returned were not documented elsewhere;
4. JSO was unable to provide the internal log for a sample of paper checks that were dated 8 months prior to our request, and presumed that the log had been purged. Further, the methodology of the internal log relied on signatures that were not always legible to identify the recipients, and did not specify which check or checks the recipient took with them. We were also informed that familiar employees were not always required to sign.

Without effectively tracking the custody of paper checks, JSO may be limited in its ability to demonstrate that it has properly safeguarded the City's assets. The lack of an effective trail could result in lost checks and provide an opportunity for unauthorized transactions.

Recommendation to Internal Control Weakness 4

We recommend that JSO establish procedures to document the custody of paper checks at every exchange in a way that identifies the provider, recipient, and the specific checks, and also provides an attestation for completeness by both parties (e.g., provider and recipient signatures to evidence that all checks were accounted for at the time of exchange).

JSO Response to Internal Control Weakness 4

Agree Disagree Partially Agree

The lack of an effective custody trail of paper payroll checks could result in an unauthorized transaction. However, in order for there to be an unauthorized transaction, an employee would have to commit a felony. Any crime committed by a JSO employee would be thoroughly investigated and any offense would be fully prosecuted. There is obviously a very strong deterrent to any employee conducting any unauthorized transaction involving payroll checks and there have been no criminal conduct related to payroll checks.

Elimination of paper payroll checks is also a policy that the COJ could implement. If the COJ chooses to not eliminate the paper payroll checks, JSO recommends all paper payroll checks be

kept in the custody of COJ Payroll and distributed by the COJ Payroll directly to the JSO employees.

Internal Control Weakness 5 *Employees Not Always Required to Attest to Hours Worked*

JSO did not require all employees to review their respective record of time and attendance. Specifically, a written policy provided an exemption to a variety of employees (e.g., employees located at the courthouse, on non-regular schedules, or receiving military pay from the City). Requiring each employee to review their record promotes the detection and correction of any errors. Requiring employees to document their review provides JSO with additional assurance that the record is both accurate and authentic. Without evidence of such an attestation by the employee, JSO is limited in its ability to demonstrate that all payments to employees are accurate and properly supported.

Recommendation to Internal Control Weakness 5

We recommend that JSO revise the exemption and require all employees to document their attestation for hours worked. If extenuating circumstances are encountered it may be understandable that some employees were unable to perform a review before the established deadlines; however, they should still be required to document their review, regardless of whether or not it is late.

JSO Response to Internal Control Weakness 5

Agree Disagree Partially Agree

The 'exemption' in JSO General Order 19 references weekly electronic time sheet sign-off. The exemption is for those not at work (long-term absences such as MLAGT, IOD, etc) to sign off upon their return to work or those who do not use the electronic timekeeping system, such as Judicial Officers and part-time employees. Those on long-term leave do attest to their hours upon return to duty and Judicial Officers and part-time employees sign hard copy time sheets weekly attesting to their attendance. JSO General Orders will be updated to clarify that employees returning from long-term leave must attest to their hours upon returning. In addition Orders will clarify that Judicial Officers, and part-time employees must sign hard copies of their time sheets.

Internal Control Weakness 6 *Compromised PINs*

We found that the personal identification number (PIN) that was utilized by each employee to make changes to their own record in the JSO Timekeeping System was sometimes relayed to other employees with proxy access so that the employee with proxy access could make the changes. The proxy access was designed to enable the user to view the system from the other employee's perspective. It also enabled them to make changes as needed, but doing so required the proxy user to request the impersonated employees PIN. Providing the PIN defeated the

purpose of having one. For example, a proxy user who obtained an employee's PIN could proceed with making changes that the employee did not request (i.e., were not authentic).

Of further concern is that we were not provided with evidence that it would be possible to detect whether or not a proxy user made the change instead of the actual employee.

Recommendation to Internal Control Weakness 6

We recommend that JSO modify the proxy access to ensure the protection of employee passwords and PINs. JSO should discourage users from providing information that was intended to protect the authenticity of transactions they make.

Further, we recommend that JSO provide employees with reference material for the JSO Timekeeping System that effectively guides them to make the appropriate changes without seeking a proxy to operate on their behalf. In the meantime, JSO needs to walk the employees through a troubleshooting process to avoid recurring problems in the future.

JSO Response to Internal Control Weakness 6

Agree Disagree Partially Agree

Reference material is provided to all via the electronic time sheet Help link. However, JSO employees do not use this function enough to become proficient at this type of transaction and usually request assistance from payroll personnel. The electronic time sheet system does not allow for individual settings for proxy access. City ITD should enhance the electronic time sheet to disallow those assuming proxy access from signing off on attempted changes to another employee's electronic time sheet records and also add an audit trail of any/all proxy transactions within the electronic time sheet system.

Internal Control Weakness 7 *Untimely Removal of System Access*

JSO's process for removing system access for terminated employees should be improved. We tested 10 former employees and noted that the access for 3 was removed 12, 118, and 199 days after the respective employee terminated employment. We were unable to determine whether access for the remaining 7 was removed in a timely manner because the method JSO used did not record those details. Timely deactivation lowers the risk of corruption to data or the system itself as a result of access that was misused. Although JSO policies placed responsibility for terminating access privileges on its Information System Management division (ISM), the policy lacked details regarding management's expectation for timing. Further, JSO had not established consistent, written procedures for how ISM should be notified of employee terminations, and this may have contributed to the instances of untimely removal noted above.

Recommendation to Internal Control Weakness 7

We recommend that JSO develop and abide by written policies and procedures for removing user access rights in a manner that is timely and documented.

JSO Response to Internal Control Weakness 7

Agree Disagree Partially Agree

Written policies need to be updated to include specific ISM notification procedures and specific expectations for amount of time for former employees to be removed from the system.

Finding 1 *Inconsistencies in Shift Differential and Overtime Pay*

Certain bargaining agreements have provisions that require the City to pay additional shift differential earnings to eligible employees when they work shifts that begin after a specified time of the day. However, the City paid shift differential earnings inconsistently to officers based on whether the employee was regularly assigned to shifts that were eligible for shift differential. Overall, we found that the dollar impact was relatively minor because the earnings were based on a low percentage of the employee’s per-hour salary (between 3 and 6 percent) and the discrepancies only applied to overtime hours, which were usually a fraction of the employee’s regular work hours.

Employees who were regularly assigned to the night shift were compensated for shift differential that was earned by working their regular shifts. The shift differential earnings from regular shifts were also appropriately included in overtime rate calculations. However, for eligible overtime shifts they were not separately compensated for the shift differential. The failure to compensate for those earnings also resulted in their overtime rates being understated. The end result was that these employees were underpaid.

Employees who were regularly assigned to the day shift did not generally work shifts that were eligible for shift differential unless they were assigned to an eligible overtime shift. In those instances, the employees were compensated for shift differential earnings directly through the overtime rate calculation. However, including the shift differential directly in the overtime rate calculation actually caused the employee to be overcompensated for that specific shift. In addition, if the employee had other kinds of overtime during the week that was not eligible for shift differential, the employee would be underpaid for the other overtime hours because the respective rates did not include the shift differential earnings from the eligible overtime shift.

Under either assignment, if the employee elected to receive compensatory time in lieu of paid overtime, the employee would not have been compensated for the shift differential, which is contrary to the bargaining agreement requirements.

Recommendation to Finding 1

We recommend that the City’s Employee Services Department develop the Human Resources and Payroll System to ensure that shift differential pay for eligible employees is applied consistently and in accordance with the bargaining agreement requirements.

JSO Response to Finding 1

Agree Disagree Partially Agree

The Human Resources and Payroll System should be enhanced by City ITD to ensure that shift differential pay for eligible employees is applied consistently and in accordance with the bargaining agreement requirements and FLSA.

City's Response to Finding 1

Agree Disagree Partially Agree

Employee Services will work with Payroll, JSO and IT to ensure that shift differential pay is calculated correctly and consistently.

Finding 2 *Pension Contribution Issues*

The City treated City Education Incentive earnings as pensionable for employees in the Correctional Officers Retirement Plan (CORP), but not for employees in the General Employees' Pension Plan (GEPP), despite identical written provisions for pensionable earnings in the Municipal Code and essentially the same bargaining agreement language. Our inquiries to the City's Employee Services Department, Treasury Division and Pension Office did not produce an explanation. Based on an initial response from Employee Services, we decided to review historical payroll records. During this review we noted that pension contributions actually were made to the GEPP for City Education Incentive earnings until October of 2009. Details from the October payrolls revealed that the contributions on those earnings ceased entirely on the same payroll that ITD used to split out a portion of overall contributions for the newly created GEPP Disability Trust Fund. Absent any other explanation, it appears that the discontinuance of GEPP contributions was an unintended error.

Recommendation to Finding 2

We recommend that the City consult with the Office of the General Counsel to determine whether or not City Education Incentive earnings should be pensionable for employees. If it is determined that the earnings are pensionable, the City should begin making pension contributions accordingly for GEPP.

City's Employee Services Department Response to Finding 2

Agree

Disagree

Partially Agree

Employee Services will request a legal opinion from OGC to determine whether or not City Education Incentive earnings should be pensionable for employees in GEPP.

Finding 3 *7K Overtime Errors*

Section 207(k) of the Fair Labor Standards Act (FLSA) provides that overtime for law enforcement officers can be determined on a work period basis instead of the usual weekly basis. Section 207(b) requires the rate of pay to be calculated by dividing total earnings for the period by the number of hours worked. However, earnings that are separately paid to employees at a premium rate (at least 1.5 times regular) may be excluded, and may even be credited against the total overtime earnings after the calculation is complete. During the audit period the City paid police and corrections officers for 7K overtime based on a 4 week and 3 week period, respectively. We noted errors in the City's calculation for 7K overtime pay. Specifically:

1. Regarding the rate of pay:
 - a. Contrary to FLSA, the Human Resources and Payroll System's calculation did not include straight time overtime earnings. Despite the implication of an overtime premium, those earnings are not provided at a premium rate or otherwise allowed to be excluded from the FLSA calculation.
 - b. It appears that the City intended to include service incentive earnings (i.e., longevity pay) in accordance with Section 207(b); however, the system omitted those earnings due to an error in the internal code language used to program the calculation. ITD indicated that the error was the result of an outdated code reference for longevity pay that should have been updated but was not.
 - c. The rate calculation should have been derived by dividing total earnings for the work period by the number of hours worked during the work period because officers often work non-standard schedules that fluctuate by week (e.g., 57, 46, 34, and 23 hours). However, the system was programmed to divide total earnings for each week in the period by a set 40 hours and then average those weekly rates, which is contrary to FLSA.
2. Regarding the hours worked:
 - a. The JSO Timekeeping System determined the number of working hours that were eligible for 7K overtime; however, it rounded down to the nearest whole number (or truncated) which resulted in an underpayment. For example, an employee who worked 1.8 eligible hours only received 1 hour of pay.
 - b. In its determination of how many hours were eligible, the system inappropriately included certain hours that the City paid an overtime premium for separately. Duplicate premiums are contrary to the bargaining agreement; specifically, Article 22.3A of the agreement clarifies that other kinds of overtime should supersede 7K overtime.

Recommendation to Finding 3

We recommend that the City comply with FLSA provisions for calculating the regular rate of pay. Regarding the Human Resources and Payroll System coding error, we recommend that the City review the rest of the coding for the 7K calculation to ensure accuracy, as our review did not test every 7K component. In addition, the City should enhance documentation for system configuration to assist in identifying the necessary updates when other parts of the system are developed or altered.

JSO Response to Finding 3

Agree Disagree Partially Agree

The City should comply with FLSA provisions for calculating the regular rate of pay and the City should review the rest of the coding for the 7K calculation and correct the coding as necessary to ensure accuracy.

City's Response to Finding 3

Agree Disagree Partially Agree

- 1) *Regarding the rate of pay: IT, Employee Services, and JSO will work together to collect the requirements in order to make the necessary system changes to the Human Resource Management System to correct these items.*
- 2) *Regarding the hours worked:*
 - a. *ITD has received a request with examples from JSO. The current status is that IT has completed the coding and testing is in progress. Once testing is complete, IT will notify JSO to test and approve the changes. Upon approval from JSO, the changes will be deployed to production for the JSO timekeeping system.*
 - b. *ITD, Employee Services, and JSO will work to collect the requirements in order to make the necessary system changes to the JSO timekeeping system to correct this item.*

Finding 4 *Untimely Submission and Approval of Time and Attendance*

General Order 19 required supervisors to review and approve time and attendance on a daily basis. Such policies promote timely and accurate payments. In addition, the Payroll System was programmed to rely on attendance records that had been entered and approved before each established processing deadline. However, we noted that many records were not submitted and approved in a timely manner. The Time and Attendance manager indicated that there were approximately 700 late items each pay period, and an analysis for the two payrolls that we used as a sample was consistent with that approximation.

Attendance records that were approved after the processing deadline for a respective pay period were delayed to a subsequent payroll that was separate from the pay period in which the attendance occurred. That separation can cause inaccuracies in pay. Some inaccuracies were

temporary, such as when an employee earned shift differential pay and was not provided with the shift differential earnings for two or four weeks after they were due. In that case, although the payment was not necessarily timely, we did not identify any discrepancies related to the dollar amount for those earnings.

However, sometimes the late approvals caused the employee's total compensation for a pay period to be inaccurate. For example, late approvals for overtime worked and differential pay (i.e., shift, field training, out of class, job) resulted in an underpayment for any overtime worked during the pay period because the overtime rate was understated. On the contrary, late approvals for leaves of absence could result in an overstated overtime rate. The late approval of an employee transfer to an area with a different schedule or bargaining agreement provisions could result in either an understated or overstated overtime rate.

Recommendation to Finding 4

JSO should develop methods to effectively enforce the requirement for timeliness in General Order 19. This may include expanding the reporting functionality of the JSO Timekeeping System to provide details on any outstanding or late items that includes an aging schedule and allows them to identify problem areas and apply corrective actions.

JSO Response to Finding 4

Agree Disagree Partially Agree

The net impact of the late items is not material. However, enhancements to the electronic time sheet system to include automatic notifications sent to two levels higher than the approving supervisor would allow management to be better informed of this issue. In addition, JSO agrees that adding an aging schedule of transactions to the electronic time sheet reports capabilities (or possibly to the human resources system) would also benefit the process.

Finding 5 *Step Level Errors*

Based on testing performed we found that a limited number of employees are being paid the incorrect step amount. We compared the monthly pay rates for all JSO employees who are paid based on steps to the amount per the bargaining agreement based on the applicable dates and positions. Our recalculation of the monthly pay rates for 2,129 officers (police and corrections) on the January 30, 2015 payroll disclosed that 2 police officers were one step too low and 4 corrections officers were one step too high.

Upon inquiry, JSO indicated that they had noted similar results during reviews they have performed and they provided an example for a different time period. The exceptions from the JSO report were different individuals than those from our January 30, 2015 recalculation.

Recommendation to Finding 5

We recommend that JSO and the City’s Employee Services Department investigate the cause for the step level discrepancies and take corrective action. In the meantime, this review needs to occur more regularly to avoid paying the incorrect amounts.

JSO Response to Finding 5

Agree Disagree Partially Agree

The electronic time sheet system should be updated to automatically implement the step raises based on the bargaining units. It is very time consuming and inefficient to repeatedly manually check over 2,000 employee.

City’s Response to Finding 5

Agree Disagree Partially Agree

Employee Services will work with JSO to determine the best solution to improve the process.

Finding 6 *Duplicated Premiums*

Article 22.3 of the Police Rank and File bargaining agreement provides for various types of overtime pay. Part D of Article 22.3 specifies that premium payments for hours worked shall not be duplicated, and identifies Call Back Overtime (CBOT) as an overtime premium. Article 22.5, titled, “Call Back”, provides a minimum overtime premium of 2.5 hours at time and one-half of an eligible employee’s regular rate when that employee has left the normal place of work and is called back for overtime work; however, the minimum does not apply for periods that extend into the start of the employee’s regular work period. Based on Part D of Article 22.3, it appears that the minimum should, likewise, not apply for periods that extend into the start of the employees other overtime periods.

Our audit testing disclosed that one employee received a second overtime premium in addition to the CBOT premium for the same hours, because the minimum for the call back period extended into the start of a scheduled overtime shift. This occurred twice for the employee during one work week. For example, in one instance the employee’s schedule reflected CBOT work between 8:45 a.m. and 10:00 a.m., so he was paid the premium rate for the 2.5 hours between 8:45 a.m. and 11:15 a.m. However, his scheduled overtime shift started at 10:00 a.m. on the same day, and he also received the scheduled overtime premium for all hours worked on that shift. As a result, and contrary to the bargaining agreement provisions, the City duplicated the CBOT premium by compensating the employee with an additional premium for the 1.25 hours of scheduled overtime work that occurred between 10:00 a.m. and 11:15 a.m. The employee’s second instance of duplicated overtime involved .25 hours and the same type of overtime premiums.

Recommendation to Finding 6

We recommend that JSO develop internal controls for preventing the duplication of overtime premiums to comply with bargaining agreement requirements. This could be through manual processes, such as supervisor review, or enhancements to the JSO Timekeeping System.

JSO Response to Finding 6

Agree Disagree Partially Agree

The electronic time sheet system should be upgraded to automatically prevent duplication of overtime premiums.

City's Response to Finding 6

Agree Disagree Partially Agree

Employee Services will reach out to JSO to see whether Employee Services could provide assistance on this process as JSO is responsible for the timekeeping system and maintains the internal controls.

Finding 7 *Errors in the Holiday Sellback Rate of Pay*

Full time employees are typically allowed to accrue holidays that they did not use during a calendar year in a carryover account that can be drawn upon in the future. If the unused holidays are not observed before an established deadline, the City's policy is to reduce the carryover account balance by compensating employees for the remaining unused holidays through an automated holiday sellback transaction. The transactions are generally processed on a regular payroll run in either June or October of the fiscal year following the day the holiday was accrued.

We tested holiday sellback payments made to 12 employees and noted that 3 were based on a rate of pay that erroneously included shift differential earnings. The errors occurred because the Human Resources and Payroll System was setup to process holiday sellbacks at the same rate as the earnings for Week 1 of the regular payroll when the sellback occurred. Although the errors noted in our sample were specific to shift differential earnings, the setup would also have produced overpayments as a result of other non-recurring earnings related to Week 1, such as out of class pay, job differential, supervisor differential, and field training officer differential.

Recommendation to Finding 7

We recommend that the City revise the automated holiday sellback pay element in a way that separates it from unrelated pay periods and ensure that the rate of pay is correct.

JSO Response to Finding 7

Agree Disagree Partially Agree

Agree. The City should revise the automated holiday sellback pay element.

City's Response to Finding 7

Agree Disagree Partially Agree

Employee Services will work with JSO and IT to make the necessary system changes to the Human Resource Management System to correct the formula.

Finding 8 *Annual Leave Sellbacks for Deferred Compensation were Inconsistent with Bargaining Agreements*

The City made payments to deferred compensation accounts for employees that were inconsistent with the bargaining agreement requirements. Specifically, certain agreements required a series of annual payments to evenly reduce the employee's leave balance over the course of the three year period immediately prior to retirement. Our test of sellbacks made to 8 employees disclosed that instead of three even payments, the City made one payment in the first year for the total amount.

In addition, the payments for 2 of the 8 employees reduced their balances to 73 and 11 hours, respectively, despite bargaining agreement restrictions for payments that would reduce the employee's leave balance to below 80 hours.

Recommendation to Finding 8

We recommend that the City further develop the procedures for annual leave sellbacks to ensure compliance with variances in the bargaining agreement provisions. In addition, the City should implement controls to ensure that such transactions will not reduce employee balances to below the minimum required balance.

City's Employee Services Department Response to Finding 8

Agree Disagree Partially Agree

Employee Services will create controls to ensure that the annual leave sellbacks are in compliance with the collective bargaining agreements.

Finding 9 *Manual Timekeeping Errors*

We noted various issues related to payments made to employees that relied on a manual timekeeping process instead of the JSO Timekeeping System. Manual processes in general are prone to errors. Issues noted included:

1. Not having a signature card for supervisors, which prevented employees from being able to determine whether the person signing off as supervisor was in fact valid.
2. Inaccurate payouts for some bailiffs during holiday weeks due to an issue with the formula in a spreadsheet utilized to calculate hours worked. For one of our sample items it resulted in an overpayment associated with 2 hours of work.
3. Inaccurate correction to one bailiff's timesheet due to an 8 hour shift not originally being included on the timesheet. When it was subsequently added the hours were all added at the regular rate of pay even though 1.5 hours should have been compensated at the applicable overtime rate.
4. Missing support for 15 hours of pay to one employee. The employee was compensated for 31 hours of work, but JSO was only able to find the week 1 timesheet which supported 16 hours of work.
5. The manual timesheets for two out of 16 employees that we tested lacked a signature (or any other indication) that the respective employee had reviewed it for accuracy.
6. One civilian bailiff received two kinds of overtime premiums for the same half-hour of work because the work was performed on a holiday and exceeded JSO's calculation for the overtime threshold. However, the bargaining agreement does not allow for duplicate overtime premiums.
7. Contrary to FLSA, the manual timekeeping process for civilian security guards did not always result in overtime hours being paid at the correct weekly rate.

Recommendation to Finding 9

We recommend that JSO transition the remaining employees that are on manual time sheets to an electronic timekeeping system to discontinue the use of manual timesheets whenever possible.

In the meantime, and for any areas where it is not possible to switch over to an electronic timekeeping system, JSO should enhance its review of the manual timesheets and establish a control structure that ensures all payments are properly supported.

JSO Response to Finding 9

Agree Disagree Partially Agree

The electronic time sheet system should be enhanced to accommodate employees currently on manual time sheets. Current procedures will be reviewed and additional procedures will be implemented if needed to enhance review of manual timesheets.

Finding 10 *Noncompliance with the Records Retention Schedule*

Audit procedures disclosed the following instances of noncompliance with the State's Record Retention Schedule:

1. The supporting documentation for certain recurring allowances (e.g., clothing) were destroyed five years after the date that the allowance first became effective, instead of being properly maintained as support for the recurring payments that continued past five

years. This occurred because the procedures for setting up a new allowance were to attach the request forms to the first applicable payroll record, and those records were allowed to be destroyed after five years.

2. JSO policy required employees to submit military orders to the JSO Personnel office when military training leave was used. However, in performing our testing, we found that there was not support in the file for the employee with military leave from our sample. Upon further inquiry, JSO Personnel staff stated that orders were not always required for military training leave. Based on those facts, either the required documentation for military leave is not being properly obtained or it is not being retained in accordance with records retention law.

Recommendation to Finding 10

We recommend that JSO ensure that payroll-related records are maintained in accordance with the applicable records retention requirements.

JSO Response to Finding 10

Agree Disagree Partially Agree

JSO will review current procedures related to clothing allowance and military order documents and update those procedures to ensure the documents are retained in compliance with the records retention requirements.

Finding 11 *Issues with Payments to Terminated Employees*

Our test of the final payments for 12 terminating employees included a payment to compensate one employee for two unused holidays. We used historical attendance records to recalculate a balance and confirm that the employee was due for at least one unused holiday; however, the attendance records were limited and JSO was unable to provide support for the second day of earnings.

In addition, there were minor errors in the rate for certain payments made to 2 of the 12 employees that resulted in underpayments. One employee earned a service incentive increase in his final pay period, but the increase was not factored into the rate of pay for determining his annual leave or holiday sellback earnings. The second employee was eligible for a recurring State career incentive that was omitted from the rate of pay for holiday sellback earnings. It is important to note that both rates were calculated manually.

Lastly, contrary to Chapter 11B-14.002 (11) of the Florida Administrative Code, JSO did not have procedures in place to ensure that employees who were eligible for a monthly State education or career incentive received a pro-rated share for their month of termination. Six of the 12 sample items were eligible for an incentive and worked one or more days in their month of termination; however, only 1 received incentive earnings for the month, and that payment was for the full amount. He received the payment because the Human Resources and Payroll System

was programmed to make all incentive payments on the final payroll of each month and, unlike the other 5, his final paycheck fell on the last payroll of the month.

Recommendation to Finding 11

JSO should ensure that holiday sellback payments are properly supported, and manual calculations should be reviewed for accuracy. In addition, we recommend that the City’s Employee Services Department provide guidance to JSO for how to begin pro-rating education incentives in accordance with the Florida Administrative Code.

JSO Response to Finding 11

Agree Disagree Partially Agree

The electronic time sheet system should be updated by City ITD to automatically calculate these items instead of having to rely on manual calculations.

City’s Response to Finding 11

Agree Disagree Partially Agree

Employee Services will provide guidance to JSO for how to begin pro-rating education incentives in accordance with the Florida Administrative Code.

Employee Services and ITD have established hours related to each recommendation and will establish a final timeline once Employee Services, Payroll, and JSO meet to provide input to final required hours and availability for testing.

Finding 12 *Unauthorized Comp Leave for Bailiffs and Judicial Officers*

During our audit we learned that civilian bailiffs at the courthouse with timekeeping responsibilities had implemented a process to provide compensatory leave to sworn bailiffs and judicial officers. Section 207(o)(2) of the FLSA allows a public agency to provide compensatory time off in lieu of overtime if it is pursuant to a collective bargaining agreement or otherwise approved by the employer. However, the applicable bargaining agreement does not provide for sworn bailiffs and judicial officers to receive compensatory time. In addition, the timekeeping staff tracked the compensatory leave separately from the timesheet, and the timesheets indicated that the employees were working when they were actually on leave.

Recommendation to Finding 12

We recommend that JSO reserve compensatory leave for employees who are eligible based on a collective bargaining agreement or other written agreement that documents the City’s approval. Any compensatory leave used by employees should be noted on the timesheet as the attendance for that day.

JSO Response to Finding 12

Agree

Disagree

Partially Agree

Any change to compensatory time for Bailiffs and Judicial Officers must be addressed through the collective bargaining agreement and timesheets should accurately reflect the compensatory leave used by employees.

Finding 13 *Inappropriate Access Rights*

Based on our review we found that several users had excessive access rights to both the JSO Timekeeping System and to the Human Resources and Payroll System. We found the following:

JSO Timekeeping System

- 30 users had access rights that enabled them to initiate the first step of the payroll process by transferring files to the Human Resources and Payroll System. Although the users would also require additional access to the Human Resources and Payroll System to finalize the process without assistance, the ability to transfer the files could still cause significant issues if other employees with the additional access were not careful;
- 22 users had access rights which enabled them to view and edit personal information, signoff on timesheets, and adjust the leave balances for any JSO employee who utilizes the JSO Timekeeping System;
- Any supervisor could update the mailing address used by City Payroll for addressing paper checks.

Human Resources and Payroll System

- 10 JSO employees had access to perform both human resources and payroll-related activities.

The issues with the JSO Timekeeping System mainly were attributable to the set-up of the access rights groups. There were a limited number of access groups and the range of access provided by each group setting was generally too broad. As a result, when JSO assigned a user to a group, the employee sometimes received access rights that they did not need in addition to the one or more rights they did need to fulfill their responsibilities.

Good business practices include limiting the ability to make changes or updates in the system to users who are responsible for those actions. Proper segregation of duties dictate that employees with the ability to update employee information related to pay should not also have the ability to process a paycheck. Based on the control structure that was in place for appropriate user access, JSO has an increased risk for errors and unauthorized payments.

Recommendation to Finding 13

We recommend that JSO take action to limit user access rights which may include adding one or more new groups which would enable them to distribute the range of access more appropriately.

JSO should also perform periodic documented reviews of system access to ensure reasonableness at least annually.

JSO Response to Finding 13

Agree Disagree Partially Agree

The electronic time sheet system should be updated by City ITD to allow for JSO to select additional access rights to additional groups. Currently, the electronic timekeeping system only allows limited groups rights which severely restricts JSO ability to control access.

Finding 14 *Improper Certification of City Payroll*

We observed the Time and Attendance Manager sign and submit the City’s Certification of Payroll form prior to initiating the payroll process. After submitting the form, he and the staff proceeded to review and adjust the payroll data. Submitting the form before the payroll was finalized decreases the intended value of the certification to a questionable level.

Recommendation to Finding 14

The Time and Attendance Manager should only sign the payroll certification after the payroll records have been finalized and transferred to City Payroll.

JSO Response to Finding 14

Agree Disagree Partially Agree

Ideally, all the approvals, confirmations, and certifications should be completed prior to the payroll being transferred to City Payroll. However, due to the deadlines required by the City to complete the payroll, it is unrealistic to complete all the items prior to the deadline. As a result, some of the approvals, confirmations, and additional analysis are completed after the payroll is transferred to the City and corrections, adjustments, approvals, and confirmations are completed after the transfer.

Opportunity for Improvement 1 *Information System Efficiency*

The JSO Timekeeping System and the Human Resources and Payroll System could be improved to operate more efficiently. Certain system limitations that we encountered during the audit are described below:

JSO Timekeeping System

- We were unable to verify whether a supervisor approved the work for field training or out of class differential earnings because the system did not display those approval details;

- Although the system provided an indication for whether or not a supervisor completed the review for each employee's overall timesheet, it did not provide details to identify the approver, date, or time;
- JSO informed us that the system inaccurately credits overtime for certain employee groups, and those instances must be manually located and then deleted each pay period. This wastes time and could result in unintended errors;
- The system applies an inaccurate shift differential percentage for a certain group of employees, which also required staff to enter manual adjustments for correcting the discrepancies;
- JSO policy required a Chief to approve overtime that would exceed 16 hours per day or 20 hours per week, and also required the approval to be included in the overtime request; however, the system did not provide a method for including the approval.

Human Resources and Payroll System

- The system failed to automate the overtime rates for police overtime if it was approved late. As a result, JSO staff was forced to manually enter the rates, and they did so using rates that were based on a readily available report. The practice was not efficient or in alignment with proper segregation of duties. Also, the readily available rates were not always accurate.

Manual processes, such as adjustments or rate calculations, are generally not efficient and are more likely to result in errors.

Recommendation to Opportunity for Improvement 1

We recommend that JSO perform a cost benefit analysis to determine if system enhancements listed above should be implemented to improve the accuracy and efficiency of operations.

JSO Response to Opportunity for Improvement 1

Agree Disagree Partially Agree

JSO should complete a cost benefit analysis.

Opportunity for Improvement 2 *Disaster Recovery Plan*

The City has processes in place to continue making payroll payments in the event that the JSO Timekeeping System becomes inoperable; however, the method would necessitate payroll adjustments after the fact to account for actual time worked. Furthermore, actual time worked would need to be entered into the applicable timekeeping systems after the fact to allow for a reconciliation to occur. JSO does not currently have a written process in place for the employees to document time worked when the system is inoperable.

Recommendation to Opportunity for Improvement 2

We recommend that JSO establish procedures to ensure that timekeeping could continue uninterrupted in the event that the JSO Timekeeping System was rendered inoperable. This could be as simple as providing written instructions on how to record time worked in a consistent manner that includes the necessary information.

JSO Response to Opportunity for Improvement 2

Agree Disagree Partially Agree

JSO Time and Attendance policy should be updated to include instructions for timekeeping if the electronic time sheet system is rendered inoperable.

We appreciate the assistance and cooperation we received from the Jacksonville Sheriff’s Office, the Employee Services Department, the Information Technologies Division and the Accounting Division throughout the course of this audit.

Respectfully submitted,

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