



Council Auditor's Office

Jacksonville Sheriff's Office Payroll Audit Follow-up Report

Report #780A

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



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Honorable Members of the City Council
 City of Jacksonville

The purpose of this report is to document our follow-up review of our past report #780, Jacksonville Sheriff’s Office Payroll Audit, and to determine whether corrective action has been taken in response to our findings and recommendations. We are providing this special written report in accordance with Ordinance Code Section 102.102. This report does not represent an audit or attestation conducted pursuant to Government Auditing Standards. The initial audit report can be found on our website.

We reviewed our recommendations and the auditees’ responses from the original audit report. We sent follow-up letters to the Jacksonville Sheriff’s Office (JSO) and the City on September 1, 2018 inquiring as to the status of the original audit report recommendations. We reviewed the recommendations from our audit report, the auditees’ responses to the recommendations, and the auditees’ responses to our follow-up letter. We then performed limited testing to verify the responses. Based on the responses received and our follow-up testing, a table detailing the original number of issues noted and the number of issues resolved as of this follow-up is included below.

Types of Issues	Original Number of Issues	Issues Cleared	Remaining Issues
Internal Control Weaknesses	7	2	5
Findings	14	4	10
Opportunities for Improvement	2	1	1
Total	23	7	16

The following is a brief summary of the remaining issues with responses from JSO and the City that we received on March 6, 2019 and March 21, 2019, respectively.

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

In the original audit, Internal Control Weakness 2 disclosed that JSO had not established written Standard Operating Procedures (SOPs) for staff with timekeeping management and payroll-related responsibilities. As a result, any future turnover could result in a significant loss of institutional knowledge that would make it difficult to train new employees and result in

inconsistent methods of doing things. We recommended that JSO develop written SOPs for timekeeping management and payroll-related responsibilities in a level of detail that is sufficient for instructing new employees.

During the follow-up review, JSO responded that development of a JSO Payroll Procedure Manual was currently underway but not yet complete. Specifically, new staff has been tasked with documenting the procedures based on their training, and those documents will be reviewed and ultimately compiled to form the manual.

We recommend that JSO continue their efforts to establish written SOPs for staff with timekeeping management and payroll-related responsibilities.

JSO Response to the Follow-Up of Internal Control Weakness 2

Agree Disagree Partially Agree

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

In the original audit, Internal Control Weakness 3 disclosed that JSO procedures did not include an effective secondary review of the finalized payroll records prior to transferring them to the City's Payroll Office for processing. This included the lack of a review of manual entries by a second person in addition to circumventing an edit check control that existed within the Human Resources and Payroll System. We recommended that JSO establish procedures to ensure a documented secondary review of any manual entries and certain records related to employees on extended leave, and that JSO stop bypassing the Human Resources and Payroll System's batch edit checks.

During our follow-up, JSO stated that a Lead HR Coordinator position had been created to aid in secondary review; however, the procedures were still in the process of being developed and had not yet been implemented. Regarding use of the Human Resources and Payroll System's batch edit check, JSO responded that they had not implemented it because the value was questionable with respect to the effort that it would require to separately calculate the batch totals.

We recommend that JSO continue their efforts to develop and implement secondary review of any manual entries and of the records related to employees on extended leave. We also recommend that JSO begin using the Human Resources and Payroll System's batch edit check properly. The batch edit check helps ensure the integrity of the payroll data.

JSO Response to the Follow-Up of Internal Control Weakness 3

Agree Disagree Partially Agree

The JSO agrees with the need for a secondary review of manual entries. As it relates to the batch edit check, we understand the concern of the Council Auditor's Office, but we do not believe this is the right time to pursue the change due to prioritization of other system/process changes and the fact that the payroll system is in the process of being replaced. We do plan to keep this in

mind as the other changes are being made to see if the other changes can in some way reduce or eliminate the need for the edits. After those changes are complete, we will re-evaluate this issue.

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

In the original audit, Internal Control Weakness 4 disclosed that there is not a complete documentation trail to demonstrate custody over payroll checks. We recommended that JSO establish procedures to document the custody of paper checks at every exchange in a way that identifies the provider, recipient, the specific check, and 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).

During our review JSO demonstrated that a check log process had been established to document the exchange of paper checks at the City’s payroll office, and the receipt of paper checks that were picked up in person from the JSO Personnel Office. However, there is still not a documented sign-off for:

1. checks that were mailed to employees; or
2. checks distributed at off-site locations (after being picked up in bulk from the JSO Personnel Office).

Also, although many sign-offs included the employee’s signature and employee ID number, some were limited to a signature that was not legible. In addition, the checks were no longer stored in a secure location in the JSO Personnel Office. They were on top of a file cabinet behind the JSO Personnel counter where anyone behind the counter can see them and has access to them.

To address the outstanding issues we recommend that JSO continue their efforts to develop the check log process to include a documentation trail that will:

1. identify the employees within the JSO Personnel Office who mailed the paper checks;
2. document the chain of custody for checks provided at off-site locations after being picked up in bulk from the JSO Personnel Office.
3. require the sign-off documentation to include an employee identification number to ensure the individuals can be properly identified
4. require checks be stored in a secure location with limited access at all times.

JSO Response to the Follow-Up of Internal Control Weakness 4

Agree Disagree Partially Agree

Although the JSO HR is in a secured office in a secured building on a secured floor, the JSO agrees that additional measures could be taken to further limit the access to paper checks and will take corrective measures.

Internal Control Weakness 6 *Compromised PINs*

In the original audit, Internal Control Weakness 6 disclosed 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 rights so that the employee with proxy access could make changes. Under this method there was nothing logged that would evidence that a proxy user made a change instead of the actual employee. We recommended that JSO modify the proxy access to ensure the protection of employee passwords and PINs and also discourage users from providing information that was intended to protect the authenticity of transactions they make.

During our review JSO responded that, in an effort to reduce the number of proxy users, they no longer provide the proxy access rights to new supervisors (although the previous supervisors have retained access). In addition, JSO stated that the current policy regarding passwords should make it so proxy users are no longer requesting other employee’s PINs. However, the access rights for proxy users has not been modified to prevent proxy users from changing other employee time sheets as if they were the employee or to develop an audit trail within the system that would properly document such actions.

We maintain our original recommendations that JSO should modify the proxy access to ensure the protection of employee passwords and PINs and discourage users from providing information that was intended to protect the authenticity of transactions they make. It should be made clear that PINs should be treated like a password and not provided to other employees.

JSO Response to the Follow-Up of Internal Control Weakness 6

Agree Disagree Partially Agree

The JSO is manually modifying the list of proxy users and will distribute an agency-wide memo detailing why access was revoked. The memo will also reiterate the importance of protecting the JSO Timekeeping system PIN information. The JSO will also continue to keep the recommended changes as a requested compliance change for the Timekeeping System.

Internal Control Weakness 7 *Untimely Removal of System Access*

In the original audit, Internal Control Weakness 7 disclosed that JSO’s process for removing system access for terminated employees had flaws. We recommended that JSO develop and abide by written policies and procedures for removing user access rights in a manner that is timely and documented.

During our follow-up, JSO provided an updated written policy for information system management that requires access rights to be immediately disabled; however, there was no documentation available to show when an actual employee’s access rights were terminated and therefore we could not confirm compliance with the policy. JSO stated that a solution to the problem is in process and scheduled to be resolved by the end of summer in 2019.

To address the outstanding issue we recommend that JSO continue their efforts to develop a method that would provide evidence of when access rights were terminated which could show they are being timely with the removal of access.

JSO Response to the Follow-Up of Internal Control Weakness 7

Agree Disagree Partially Agree

Finding 1 *Inconsistencies in Shift Differential and Overtime Pay*

In the original audit, Finding 1 disclosed that the City paid shift differential earnings inconsistently to officers based on whether or not the employee was regularly assigned to shifts that were eligible for shift differential. Also, employees under both scenarios were not compensated for the shift differential if they elected to receive compensatory time in lieu of paid overtime (contrary to bargaining agreement requirements). We recommended 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.

During the follow-up review we found that although the City's Employee Services Department had met with JSO and Information Technologies Division (ITD) to discuss the matter, the corrective action had not been implemented and the estimated completion date was February 28, 2019.

We recommend that the parties continue their effort to ensure that shift differential pay for eligible employees is applied consistently and in accordance with the collective bargaining agreements.

JSO Response to the Follow-Up of Finding 1

Agree Disagree Partially Agree

The City ITD, City Employee Services and JSO recently prioritized other system changes that were required by collective bargaining over the development and implementation of this change. The anticipated completion date is unknown at this time.

Employee Services Department Response to the Follow-Up of Finding 1

Agree Disagree Partially Agree

Employee Services, JSO, Information Technology and Payroll met as a group and decided to prioritize all system changes that are needed in EIS and Oracle. These include the payroll audit items, as well as new items that were negotiated through collective bargaining. The group decided to focus efforts on the newly bargained items that require system changes first, then focus efforts on the payroll audit to address the issue with shift differential and overtime pay.

Due to competing priorities, the anticipated date of completion is December 31, 2019. The group continues to meet on a regular basis to discuss progress on system changes.

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. In the original audit, Finding 3 disclosed five errors in the way the system calculated the 7K overtime rate of pay (3 errors) and the number of hours worked (2 errors) which in turn resulted in payment errors. We recommended that the City comply with the FLSA provisions for calculating the regular rate of pay, review the internal coding for the 7K overtime pay element to ensure accuracy, and enhance documentation for system configuration to assist in identifying the necessary updates when other parts of the system are developed or altered.

During the follow-up review, we tested the system's calculations for 7K overtime to confirm that an issue with the system truncating instead of rounding the number of hours worked has been corrected. This resolved one of the issues with the hours but the other four errors remain outstanding. We were informed these issues will be addressed in an ITD project in FY 2019 intended to further investigate and resolve these errors. Finally, as noted in ICW 1 above, the City did enhance the standard Pay Element Form, and this was done in a way that could assist in identifying the necessary updates for other parts of the system when a given pay element is developed or altered.

To address the outstanding issues, we recommend that the Employee Services Department and ITD continue their efforts to ensure compliance with FLSA provisions for calculating the regular rate of pay and review the internal coding for the 7K calculation to ensure accuracy.

JSO Response to the Follow-Up of Finding 3

Agree Disagree Partially Agree

Employee Services Department Response to the Follow-Up of Finding 3

Agree Disagree Partially Agree

JSO, IT, Employee Services and Payroll are working on several new elements for the new 12 hour work shift for corrections. These new elements are being developed and implemented into EIS and Oracle to address the issues with time and rate of pay in regards to 7K Overtime and should correct some but not all of the issues with 7K Overtime. Once the group has finished implementing all system changes for the new collective bargaining agreements, we will focus back on the issues not addressed in Finding #3 . Due to competing priorities, the anticipated

date of completion is December 31, 2019. The group continues to meet on a regular basis to discuss progress on system changes.

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

In the original audit, Finding 4 disclosed that many records were not submitted and approved in a timely manner, which caused inaccuracies in pay. We recommended that JSO develop methods to effectively enforce timeliness as required by their policies and procedures.

During the follow-up review we inquired as to whether or not any methods had been developed and JSO responded that they were, alternatively, in the process of meeting with the City to develop the City's Payroll System to accept and pay late time submissions properly. We confirmed this with the City's Employee Services Department.

We recommend that JSO continue their efforts to develop a method of reducing inaccuracies caused by untimely submissions and approvals; however, we do still recommend that JSO work to have more timely submissions and approvals as recommended in the original audit. The reliability of the hours being submitted and the approval are brought into question as more time elapses.

JSO Response to the Follow-Up of Finding 4

Agree Disagree Partially Agree

It should be noted that even if there are no late time submissions or approvals from the JSO employees and supervisors, the timing of payroll processing still dictates the need for the City Payroll system to be able to accept and process late entries properly. For example, FY19 includes several pay periods that the JSO will process at least one date earlier than normal due to the normal processing date being a holiday. The City Payroll system must be developed in a manner that will enforce proper payment of late time submissions in order for these "early submittal" pay periods to be processed correctly.

Finding 5 *Step Level Errors*

In the original audit, Finding 5 disclosed that a limited number of employees were being paid an incorrect step amount. We recommended that JSO and the City's Employee Services Department investigate the cause for the step level discrepancies and take corrective action. We also recommended that in the meantime, a review of the step levels needed to occur more regularly to avoid paying incorrect amounts.

During the follow-up review the City responded that the cause of the step level discrepancy had been identified and corrective action had been implemented. Further, the City's Employee Services Department had developed a weekly report that disclosed step level discrepancies. However, we re-performed the testing from the original audit for a current payroll and noted six discrepancies. The City responded that for four of the employees, the payment amount was

correct based on time connection documents and employee leave history; however, they could not explain how the payment had been processed correctly given that the date field the system was programmed to rely on had not been updated for the time connection or leave history. The City confirmed that the other two employees had been paid an incorrect step amount, although they were not included in the results of the City’s weekly report (i.e., not detected).

We recommend that JSO and the City:

1. investigate the cause for why the weekly report had not detected the two employees who were paid the incorrect step amount;
2. investigate the explanation for how the system processed the correct payments for the four employees despite an incorrect date field; and
3. take corrective action based on the results of the investigations.

We also recommend that in the meantime the City and/or JSO continue to review the step levels regularly to avoid paying an incorrect amount.

JSO Response to the Follow-Up of Finding 5

Agree Disagree Partially Agree

Employee Services Department Response to the Follow-Up of Finding 5

Agree Disagree Partially Agree

JSO and Employees Services worked together to determine the cause for the step level discrepancies and the issue has been corrected. The problem occurred when Corrections employees requested a time connection. Now, when a time connection is completed for any JSO employee, an email is sent to the employee as well as JSO HR so that JSO HR can review and update the Date of Corrections date in Oracle. Employee Services has also added this step to it's Civil Service Time Connection desk procedures.

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

In the original audit, Finding 7 disclosed that shift differential earnings were erroneously included in the rate of pay for holiday sellback transactions. We recommended that the City revise the automated holiday sellback pay element in a way that separates it from unrelated pay periods to ensure that the rate of pay is correct.

During the follow-up review we were informed that the issue had been resolved. However, the fix had only addressed part of the problem. JSO has provided us with a copy of a service ticket that they submitted to the City’s ITD on November 2, 2018 in order to update the JSO Timekeeping System in a way that would separate the holiday sellback transactions from any specific pay period and thereby completely resolve the issue.

We recommend that JSO and the City continue their efforts to process holiday sellback transactions at the correct rate.

JSO Response to the Follow-Up of Finding 7

Agree Disagree Partially Agree

Employee Services Department Response to the Follow-Up of Finding 7

Agree Disagree Partially Agree

Employee Services is aware of the service ticket that has been submitted to City ITD to correct the Holiday Sellback Rate and agrees that the proposed solution should fix the problem. Once all system changes are implemented that are required due to collective bargaining, City ITD will be able to start working on the Holiday Sellback. Due to competing priorities, the anticipated date of completion is May 31, 2019, prior to the next Holiday Sellback which is scheduled in June.

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

In the original audit, Finding 8 disclosed that the City made payments to deferred compensation accounts for employees that were inconsistent with the bargaining agreement requirements. We recommended that the City further develop the procedures for annual leave sellbacks to ensure compliance with variances in the bargaining agreement provisions. We also recommended that the City implement controls to ensure that these transactions would not reduce employee balances to below the minimum required balances.

During the follow-up review the City provided written procedures that had been developed for these transactions that became effective October 1, 2018. Given that the procedures are new, we will follow-up again in the future to determine whether or not the transactions are being made in accordance with the new procedures.

We recommend that the City continue their efforts to process the holiday sellback transactions to deferred compensation accounts in accordance with the applicable laws, rules and regulations.

Employee Services Department Response to the Follow-Up of Finding 8

Agree Disagree Partially Agree

New procedures were developed to ensure compliance with the applicable bargaining agreements. This issue has been resolved. Employee Services will continue to utilize the new procedures when processing holiday sellback.

Finding 9 *Manual Timekeeping Errors*

In the original audit, Finding 9 disclosed various issues related to payments made to employees that relied on a manual process instead of the JSO Timekeeping System. We recommended that

JSO transition the remaining employees that are on manual time sheets to an electronic timekeeping system. We also recommended that 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.

During our follow-up review JSO stated that they had determined that it was not possible to convert the manual timesheets to an electronic system. As an alternative, they had planned some system changes related to the manual timesheets to be implemented in the first quarter of 2019.

We recommend that JSO continue their efforts to enhance their review of the manual timesheets and establish a control structure that ensures all payments are properly supported.

JSO Response to the Follow-Up of Finding 9

Agree Disagree Partially Agree

Finding 10 *Noncompliance with the Records Retention Schedule*

In the original audit, Finding 10 disclosed two instances of noncompliance with the City’s adopted records retention schedule related to certain recurring allowances and military orders, respectively. We recommended that JSO ensure that payroll-related records are maintained in accordance with the applicable records retention requirements.

During our follow-up review we confirmed that JSO had resolved the issue related to recurring allowances; however, there had not been any changes to how military orders are handled.

To address the outstanding issue we recommend that JSO take steps to ensure that the documentation for military orders are retained in accordance with the applicable records retention requirements.

JSO Response to the Follow-Up of Finding 10

Agree Disagree Partially Agree

Finding 11 *Issues with Payments to Terminated Employees*

In the original audit, Finding 11 disclosed the following:

1. A lack of support for payments to compensate employees for unused holidays;
2. Errors with pay rates that were manually calculated by JSO in order to process manual check requests;
3. A lack of procedures in place to pro-rate education or career incentives in the month of an employee’s termination.

We recommended that:

1. JSO ensure that holiday sellback payments are properly supported.

2. Manual calculations should be reviewed for accuracy.
3. The City's Employee Services Department provide guidance to JSO for how to begin pro-rating the incentives.

During our follow-up review we noted:

1. No change related to the supporting documentation for holiday sellback payments.
2. No review over manual calculations of the pay rate.
3. City Payroll is still in the process of determining how incentive payments should be handled for terminating employees. Corrective action for this item is expected to be completed in May 2019.

Our original recommendations stand for the first two issues. Regarding the pro-ration of education incentives, we recommend that JSO and the City continue their efforts to handle education incentives for terminating employees in accordance with the applicable laws, rules and regulations.

JSO Response to the Follow-Up of Finding 11

Agree Disagree Partially Agree

The JSO will discuss a process change with the City so that rates for manual check requests are either verified by City Payroll or generated solely by City Payroll. The JSO currently provides City Payroll with both the hour and rate information for manual check requests.

Employee Services Department Response to the Follow-Up of Finding 11

Agree Disagree Partially Agree

Employee Services, JSO, and City Payroll discussed three options for this finding 1) pro-rating the JSO incentives, 2) JSO providing hours worked to City Payroll after which City Payroll would calculate the rate, and 3) JSO providing City Payroll with the hours worked as well as the calculated rate. Currently JSO provides City Payroll with both the hour and rate information for manual check requests. All involved are vetting the options and a decision of how to move forward should be made by mid-April after which the process will be defined.

Finding 13 *Inappropriate Access Rights*

In the original audit, Finding 13 disclosed excessive access rights to both the JSO Timekeeping System and to the Human Resources and Payroll System. We recommended that JSO take action to limit user access rights to the timekeeping system which could include adding one or more new groups which would enable them to distribute the range of access more appropriately. We also recommended that JSO perform periodic documented reviews of system access to ensure reasonableness at least annually.

In response to our follow-up inquiry, JSO responded that the limited groups were still the only options available in the JSO Timekeeping System due to the prioritization of other system

enhancements, including reporting enhancements that will help provide JSO the ability to review access rights. Further, periodic reviews of system access to ensure reasonableness have not been performed due to the lack of a user-friendly report to use for that purpose. JSO is currently working with the City's ITD to establish such a report.

We recommend that JSO limit user access rights and continue to work towards periodic documented reviews of system access to ensure reasonableness at least annually.

JSO Response to the Follow-Up of Finding 13

Agree Disagree Partially Agree

Opportunity for Improvement 1 *Information System Efficiency*

In the original audit, Opportunity for Improvement 1 noted that the JSO Timekeeping System and the Human Resources and Payroll System could be improved to operate more efficiently if certain system limitations were addressed. We recommended that JSO perform a cost benefit analysis to determine if system enhancements should be implemented to improve the accuracy and efficiency of operations.

In response to our follow-up inquiry, JSO provided that they had submitted a request to the City's ITD for the type of system enhancements noted in our report. However, the implementation of that request was delayed due to the prioritization of other system enhancement requests that were related to collective bargaining agreements.

We recommend that JSO continue to work towards implementation of the requested system enhancements.

JSO Response to the Opportunity for Improvement 1

Agree Disagree Partially Agree

We would like to thank JSO, the Employee Services Department, and the Information Technologies Division for their cooperation in conducting this follow-up review.

Sincerely,

Kyle S. Billy

Kyle S. Billy, CPA
Council Auditor