CITY OF BUFFALO
DEPARTMENT OF AUDIT AND CONTROL

AUDIT REPORT
PAYROLL PROCEDURES OF TIMEKEEPERS

MARK J.F. SCHROEDER
COMPTROLLER

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CITY AUDITOR

JUNE 2015

Preface

In accordance with the goals set forth in the Annual Audit Plan, we conducted an audit of the payroll transactions of City of Buffalo (the City) employees responsible for timekeeping. The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

Organizationally, the City is divided into departments and further sub-divided into divisions. Timekeepers are responsible for entering hours worked and paid time off (PTO) for individuals within their organizational unit into Timekeeper Software (TKS). The primary source of this information is the timesheet. The audit focused on the payroll transactions of timekeepers and individuals who have permission to access TKS.

Section 16-5a of the Code of the City of Buffalo lists the following controls over the payroll process: "*a claim for salary or wages of a person in the employ of a City agency shall be set forth in a written payroll, on the forms approved by the Comptroller, prepared and certified as correct by the head of the City agency*." Section 16-5b., states: "*Each payroll shall be supported by a written timesheet prepared on forms approved by the Comptroller and certified as correct by a person having knowledge of the facts*."

Timesheets are maintained for the City's 2,985 employees. 13 of 16 departments use paper timesheets. Three departments use electronic timekeeping systems, Audit and Control, Management Information Systems and Parking. The Timesheets (either paper or electronic) are provided to the Timekeeper, who reviews and enters the data in TKS. The information in TKS is then imported into the City's financial management software, MUNIS. Paychecks are then generated from MUNIS.

Audit Objectives

The objectives of the audit are to determine the accuracy and validity of payroll transactions for City of Buffalo employees responsible for timekeeping.

To achieve these objectives the following procedures were performed:

- Review employee timesheets and determine if hours recorded agree to hours paid.
- Verify that hours recorded on timesheets are reviewed and approved by a supervisor.
- Determine if paid time off (PTO) used and overtime earned are properly recorded and approved by a supervisor.

Auditors randomly selected a sample of 82 of the 173 City employees with access to TKS and tested 246 paychecks for payment of 21,073 hours over 3 pay periods during Fiscal Year 2015.

Audit Findings

No Record of Hours Worked

On 9 of 246 (4%) paychecks there was no documentation of hours worked. These Timekeepers, all at the Fire Department, did not record hours worked on their timesheets. Their timesheets noted only that the employee was present on that day. It is not possible to determine hours worked from these records, therefore it cannot be determined if employees were paid the proper amount.

Employees Paid in Excess of Hours Recorded on Timesheets

On 17 of 246 (7%) paychecks, hours paid were greater than hours recorded on the timesheets. There was an overpayment of 151 hours. This equates to approximately 1% of total hours in the sample.

Employees Paid for Less Hours than Recorded on Timesheets

On 22 of 246 (9%) paychecks, hours paid were less than hours recorded on the timesheets. There was an underpayment of 98 hours which was approximately 1% of total hours in the sample. Among the reasons for the variance: Employees signing in early or leaving later than their regularly scheduled shift.

The three findings above document that 20% of paychecks conflict with timesheets.

Documentation of Timesheet Approval

18% of timesheets did not document Supervisor approval as required by Section 16-5b of the Code of the City of Buffalo. Supervisor approval was evident for 66% of the 2,523 days tested. 16% of timesheets require a hand scan as proof of attendance. Therefore 82% of timesheets have some degree of verification. There were several instances of supervisor approval with a stamp signature in the Fire Department. In these cases it is not possible to determine whether the supervisor approved the time as it is unknown who had control of the signature stamp.

Authorization for PTO and Overtime

There were 988 days in our sample on which PTO or overtime was present. 75% of these instances were properly authorized by supervisors. The remaining 25% lacked documentation of authorization for PTO. There were 3 instances where time off was properly approved yet the hours were not deducted from the employees bank of sick hours. It was acknowledged as an error and will be corrected.

Receiving Overtime for Working through Lunch and/or Breaks
11 individuals or 13% of those in the sample regularly earn overtime for working through lunch and/or breaks. This practice occurred with timekeepers in Parking, Public Works, Treasury, Law and City Clerk.

PTO and overtime recorded on same day
12 individuals or 15% of those in the sample earned overtime on the same day as taking PTO, in effect earning time and a half for PTO. For example an employee with a scheduled shift of 8 a.m. – 4 p.m. (8 hours) will use 4 hours of PTO from 8 a.m. – 12 p.m., then work from 12 p.m. to 6 p.m. and collect 2 hours of overtime while only working 6 hours.

Audit Recommendations

Automate time entry system
The City should invest in an automated time and attendance system. The current system of paper time sheets is antiquated, inaccurate and inefficient. An automated system should include a hand scanner which recognizes the biometric identity of an individual. This would increase internal controls by eliminating the opportunity to falsify arrival and departure times.

Standardize payroll forms and develop written instructions on proper use
Until such time as the City implements a new time and attendance system, the payroll forms should be standardized, i.e. timesheet, PTO and overtime request forms. Written instructions on their proper use should be published on the City's intranet website. These instructions will make it clear that timesheets must have sign in/sign out times, must have employee signatures, and must have supervisor approval. No supervisor signature stamps are acceptable.

Identify any instances of pay hours greater than or less than timesheet hours
At the time hours worked are entered into the TKS, the timekeeper should identify any instances where hours entered exceed hours recorded on timesheets. All variances should be investigated and resolved prior to payment for the hours in question. Additionally, timekeeper should identify any instances where hours in TKS are less than hours recorded on timesheets. This occurred when employees entered the building prior to their scheduled shift. Employees should record only the hours they have worked. Any work in addition to the regularly scheduled shift must be approved by the supervisor prior to the work being performed. Therefore timesheet should document only the hours the employee has worked and has been authorized to work. Timesheets, TKS and Paychecks must be in agreement in all instances.

Evaluate the practice of earning overtime working through lunch or breaks
Departments that regularly award overtime to individuals for working through lunch should evaluate their processes to determine why this is occurring. It is not a best practice as employees are not as productive when working without a lunch or break. The routine nature of this practice in certain departments would suggest staffing levels need to be reevaluated. Granting overtime to work through lunch should only be accepted in emergency situations. Granting overtime to work through a break should never be an acceptable practice.

Evaluate the practice of taking a partial day of sick time or partial day of vacation combined with overtime on the same day
This is not a best practice as employees are in effect paid time and a half for time off.

Limit TKS access to essential personnel
Departments should have designated timekeepers. Those who are no longer timekeepers should have their permission to use TKS removed.

CITY OF BUFFALO

DEPARTMENT OF POLICE

BYRON W. BROWN
MAYOR

DANIEL DERENDA
COMMISSIONER

June 2, 2015

City of Buffalo
Department of Audit & Control
65 Niagara Square
1225 City Hall
Buffalo, New York 14202

Attn: Kevin Kaufman, City Auditor

Dear Mr. Kaufman,

In response to your letter dated May 21, 2015 regarding the draft copy of the Audit Report on The Payroll Procedures of Timekeepers, the Buffalo Police Department has reviewed the audit report and is in agreement with the findings as they pertain specifically with Police and with the audit recommendations.

The minor issues involving Police payroll that were discovered during the Audit were either addressed directly with the auditors and clarified immediately or were resolved later with follow up documentation.

As far as the recommendations, the Police Department agrees with pursuing an automated time entry system and standardizing payroll forms for city wide use. In addition, overtime for lunch or breaks is not allowed, except for in rare, extreme circumstances, overtime for the same period leave time is utilized also is generally not allowed, but under certain circumstances does occur, and the Department recently reviewed all timekeeper access and removed permissions where applicable.

Please accept this as Buffalo Police Department official response to this audit and if anything further is needed, do not hesitate to contact me at 851-4571.

Sincerely,

Daniel Derenda
Commissioner of Police

CITY OF BUFFALO

DEPARTMENT OF LAW

BUREAU OF ADMINISTRATIVE ADJUDICATION

BYRON W. BROWN
MAYOR

TIMOTHY A. BALL
CORPORATION COUNSEL

June 22, 2015

Department of Audit and Control
1225 City Hall
Buffalo, New York 14202
Attn: Kevin J. Kaufman, CPA, City Auditor

RE: Request for Response to Audit Report – Payroll Procedures

Dear Mr. Kaufman:

In response to your audit report, I have identified areas of concern and have addressed them as follows:

Lunch/Breaks: We will make every effort to take lunch and breaks as often as possible under our circumstances. It should be noted however that Administrative Adjudication has two staff members. Since our office is open to the public and receives numerous walk in and phone inquiries, we have found it difficult to take breaks/lunches with two staff members handling phones and counter while at the same time trying to stay on top of workload. Additionally, we are unable to take breaks during hearing days, as hearings are conducted during break hours and we do not have the staff to switch off as one staff member is in Room 215 handling walk in and phone inquiries, while the other staff member is in Room 111 overseeing hearings. We are also unable to take lunch/breaks when one person is out of office on leave time.

Overtime: Administrative Adjudication processes involve time sensitive paperwork and deadlines. Since much of our time during the day is taken up handling walk in and phone inquiries, it is necessary to work before/after our regularly scheduled shifts so that we can work uninterrupted to catch up with our paperwork, payment processing and scheduling of hearings.

Documentation of Timesheet Approval: Timesheets will be documented with signature of Supervisor/Timekeeper.

Employees Paid for Less Hours than Recorded on Timesheets: Staff will only sign in/out the actual time that is approved and recorded on TKS to ensure TKS and timesheets are in agreement.

Sincerely,

Linda L. Scott

Linda L. Scott,
Assistant Director

CITY OF BUFFALO

DEPARMENT OF ADMINISTRATION,
FINANCE, POLICY & URBAN AFFAIRS
DIVISION OF THE TREASURY

BYRON W. BROWN
MAYOR

DONNA J. ESTRICH
COMMISSIONER

MICHAEL A. SEAMAN
DIRECTOR OF TREASURY
AND COLLECTIONS

June 11, 2015

Good morning Donna:

This response is in reference to a letter received from the Comptroller dated May 21, 2015 pertaining to an audit on payroll procedures. This audit questioned certain employees working through their lunches and being compensated in comp time. This should not be a practice; I have addressed this with my staff.

However, due to the public being one of Treasury and Collections priorities, it is our responsibility to be available at all times. Lunch hours of course are prime times for individuals to conduct business with the City.

Additionally, I would like to bring to your attention during certain times of the year there may be a need for some of my staff that would be willing to work through their lunch hours to ensure we are prepared to reconcile by end of day. I have listed reasons below for your review and approval.

- Seasonal billing cycles of various Departments contribute to high volume periods.
- Collection in result of notices for City Property Auction.
- Compensation for vacations, sick time and vacant positions. Supervision is required to be in place at all times which may involve cross training for the shortfall of experience from employee loss.

Again, staff is aware that this is not a practice and in the event it is warranted approval by me is required to do so.

Thank you for your time and much consideration with this matter.

Sincerely,

Michael A. Seaman

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OFFICE OF THE CITY CLERK

GERALD A. CHWALINSKI
City Clerk
Registrar of Vital Statistics

MARY H. BALDWIN
Deputy City Clerk

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May 21, 2015

Mark J.F. Schroeder
City Comptroller
1225 City Hall
Buffalo, NY 14202

RE: Response to Audit Report – Payroll Procedures

Dear Mr. Schroeder:

After reviewing the Audit findings our office is in agreement with your findings. We are willing to go forward with any updated forms or other procedures available to us.

Sincerely,

Gerald A. Chwalinski
City Clerk