

Municipality
of
Anchorage



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OFFICE OF THE INTERNAL AUDITOR

October 13, 1995

Internal Audit Report 95-16
Non-Standard Payroll Procedures

Introduction. Municipal Policy and Procedure (P&P) 24-10, "Approval and Retention of Employee Time and Attendance Records," requires all time cards to be signed by both the employee requesting compensation and the immediate supervisor. Exceptions to the standard P&P must be approved in writing by the Chief Fiscal Officer (CFO). In addition, it requires that all exceptions be reviewed annually by the CFO and the Internal Auditor. The following Municipal organizations were not following standard payroll procedures: Anchorage Police Department (APD), Anchorage Fire Department, Municipal Light and Power Utility, Transit Department, Fleet Services Division, Facility Maintenance Division, and Street Maintenance Division.

Scope. Our audit objectives were to determine whether the seven organizations that were not following standard payroll procedures had been granted an exception by the CFO and whether the approved compensating controls were being followed. The audit included tests of payroll records and such other procedures as we considered necessary in the circumstances. The audit period was July 1994 through May 1995.

Overall Evaluation. All organizations audited had been granted an exception to the standard payroll procedures. The approved compensating controls were generally being followed to control time cards and payroll transactions by most of the organizations. However, the approved exception procedures at APD were not always followed.

FINDING AND RECOMMENDATION

1. Exception Procedures Were Not Always Followed By APD.

a. **Finding.** The approved exception procedures to P&P 24-10 for APD were not always followed. Specifically we found the following:

- (1) Leave transactions were not entered into the payroll system on a daily basis. Instead, the transactions were entered at the end of the pay period. A similar finding was included in the previous audit report.
- (2) Forms used to report exceptions to regular pay were not always completed. Our review revealed that exception forms for training leave were not completed when the training was inside the Anchorage area.

(3) Quarterly self-audits were not performed. Quarterly audits were to be completed within 10 working days following completion of the pay period which ends the quarter. During the time period July 1, 1994 through May 31, 1995 only two self-audits were completed.

b. **Recommendation.** Approved exception procedures should be followed. Specifically, leave transactions should be entered into the payroll system on a daily basis, training leave request forms should be completed and quarterly self-audits should be performed and documented as required. If the approved exception procedures are not realistic they should be revised.

c. **Management Comments.** Management stated, "APD concurs with the single finding of 'exception procedures not always followed by APD' and the three supporting citations of: 1. no daily entries, 2. unrecorded local training, and 3. the 10 day time limit not met on two self audits.

"Further, APD concurs with the internal audit recommendation and the specific conclusion that 'if the approved exception procedures are not realistic they should be revised.' The three cited audit violations are the result of unrealistic procedures, rather than errors by APD, which were in effect during the audit period of July, 1994 through May, 1995.

The procedures have since been revised to reflect more realistic payroll practices and have remedied the above citations.”

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal officials on September 27, 1995.



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