

Municipality of Anchorage



P.O. Box 196650
Anchorage, Alaska 99519-6650
Telephone: (907) 343-4438
Fax: (907) 343-4370
<http://www.ci.anchorage.ak.us>

Rick Mystrom, Mayor

OFFICE OF THE INTERNAL AUDITOR

March 11, 1997

Internal Audit Report 97-07 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. In addition, it requires that all exceptions be reviewed annually by the Chief Fiscal Officer and the Internal Auditor. The following Municipal organizations were not following standard payroll procedures: Anchorage Police Department (APD), Anchorage Fire Department (AFD), Municipal Light and Power (ML&P), Public Transportation Department, Fleet Services Division, Facility Maintenance Division and Street Maintenance Division.

Scope. The objectives of this audit were to determine whether the seven organizations that were not following standard payroll procedures had been granted an exception by the Chief Fiscal Officer and whether the approved compensating controls were being followed. The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of payroll records and such other auditing procedures as we considered necessary in the circumstances. The audited period was January through October 1996.

Overall Evaluation. All organizations audited had been granted an exception to the standard payroll procedures. However, supervisory approval procedures were not proper for three of the organizations and leave slips were not always filled out by employees for one organization.

ANCHORAGE POLICE DEPARTMENT

FINDING AND RECOMMENDATION

1. Supervisory Approval Required Improvement.

a. **Finding.** Time sheet certification procedures were not adequate to ensure that the actual hours worked were accurately reported on time sheets. During 1996, we noted 93 instances where leave slips were sent to payroll for leave that was not recorded on approved time sheets. In all cases, the time sheets had been signed by the supervisor certifying that the employee had worked the hours shown. If the leave slips had not been forwarded to the payroll section, the employee would not have been charged for the leave.

b. **Recommendation.** Time sheet certification procedures should be improved to ensure that actual hours worked are accurately recorded on the time sheets.

c. **Management Comments.** Management stated, "APD management concurs with the internal audit finding and recommendation. Current procedures for recording leave information on time sheets by supervisors are inadequate. The APD Payroll Office relies on submitted leave slips, rather than payroll time sheets, to produce accurate records.

"A study of payroll procedures is underway by the APD Command Staff to adjust established payroll processes and ensure more accurate leave reporting in the future."

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

MUNICIPAL LIGHT AND POWER

FINDINGS AND RECOMMENDATIONS

1. Time Card Exception Procedures Not Approved by Chief Fiscal Officer.

- a. **Finding.** The current time card exception procedures used by ML&P had not been approved by the Chief Fiscal Officer as required by P&P 24-10. The last exception procedures that had been approved by the Chief Fiscal Officer were dated January 12, 1987. Overtime procedures had been revised and incorporated in new procedures which were dated November 14, 1994.
- b. **Auditor Comment.** Time card exception procedures were submitted to the Chief Fiscal Officer and the Director of Internal Audit during the audit for review and approval. A recommendation is not required at this time.

2. Time Cards Not Approved by Appropriate Supervisor.

- a. **Finding.** Time cards were not always approved by the appropriate supervisor. The time card exception procedures require time cards to be approved by the immediate supervisor, or if the immediate supervisor is not available, by the acting supervisor or the next higher level supervisor. Our review of time cards for seven pay periods revealed 33 instances where time cards had been approved by an individual in another section that had not been designated as acting for that section.
- b. **Recommendation.** Employee time cards should be approved only by an individual specified in the time card exception procedures.

- c. **Management Comments.** Management stated, "We concur and will take the necessary action to correct the finding."

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

**PROPERTY AND FACILITY MANAGEMENT
FLEET SERVICES DIVISION**

FINDING AND RECOMMENDATION

1. Employee Daily Time Sheets Not Always Approved by Supervisor.

- a. **Finding.** Employee daily time sheets were not always reviewed and signed by a supervisor. Our review of the Fleet Service time sheets for the period January 1996 through October 1996, revealed that 111 daily time sheets were not signed by a supervisor.
- b. **Recommendation.** Employee daily time sheets should be reviewed and signed by the employee's supervisor.
- c. **Management Comments.** Management stated, "All immediate supervisors have been verbally counseled reference the requirement to review and sign all employee daily time sheets. In addition, the General Foreman now personally reviews all daily time sheets for completeness and signatures. This should resolve the issue."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

**PUBLIC WORKS DEPARTMENT
STREET MAINTENANCE**

FINDING AND RECOMMENDATION

1. Street Maintenance Did Not Always Fill Out Leave Slips for Leave Time Taken.

- a. **Finding.** Street Maintenance personnel did not always fill out leave slips for time taken. The Municipal Payroll Clerk's Manual requires that for all annual leave entered on a time card, a Request for Leave form must be completed for each employee and kept in the Payroll Clerk's files. Our review of 40 sampled leave transactions revealed seventeen (43%) did not have a leave slip on file.
- b. **Recommendation.** Controls should be implemented to ensure that employees fill out a Request for Leave form for all leave. These forms should support all leave entries on daily time tickets and should be maintained in the Payroll Clerk's files.
- c. **Management Comments.** Management stated, "Street Maintenance concurs with the finding and recommendation. Our payroll procedures will be modified such that time cards will not be turned in to payroll until all leave shown on the time card has been documented by a properly approved leave slip."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

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Discussion With Responsible Officials. The results of this audit were discussed with appropriate
Municipal officials.

Audit Staff:
Alice Jensen