

MUNICIPALITY OF ANCHORAGE



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Internal Audit Report 2011-06
Municipal Payroll
Finance Department

Introduction. The Municipality of Anchorage has a complex payroll system with 305 different earnings codes and a variety of work schedules. The standard procedures require employees to complete and sign time sheets or other approved time documents, noting the hours worked during a pay period, which a supervisor then approves and signs. Approved back-up documentation must be maintained to support leave, overtime pay, acting pay, and other exceptions to the standard hours and the factored rate of pay. The Municipality uses the PeopleSoft Human Resources Time and Labor module (PeopleSoft) to record time and attendance data. Policy and Procedure (P&P) 24-10, *Approval and Retention of Employee Time and Attendance Records*, establishes the policy and procedures for approval and retention of the time sheets and other payroll documents used to pay employees. In the second half of 2011, Kronos Workforce Timekeeper and its Absence Management module will be implemented to automate timekeeping which should help decrease manual and paper processes.

Objective and Scope. The objective of this audit was to determine whether payroll transactions were valid and supported by properly authorized documentation. Our audit included a review of judgmentally selected payroll transactions from the Office of Management and Budget, Facility Maintenance, Development Services, Planning, Treasury, Information Technology, and the Clerk's Office for the time period of January through December 2010. Additionally, we reviewed compensatory time off procedures in various Departments. Finally, we reviewed call back pay and call back guarantees to determine if they were calculated correctly.

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

accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during the period of January 2011 through February 2011. The audit was requested by the Administration.

Overall Evaluation. Although call back pay and call back guarantees appeared to be reasonably accurate, our testing of various payroll transactions identified several weaknesses. Specifically, we found that supporting payroll documentation was not always completed or maintained for the payroll transactions that we tested at one Department. In addition, another Department did not compensate a non-represented employee for overtime when it was worked.

FINDINGS AND RECOMMENDATIONS

1. Supporting Documentation Needs Improvement.

- a. **Finding.** Supporting payroll documentation was not always completed or maintained for the payroll transactions that we tested at one Department. Specifically, we found unapproved payroll documents, missing payroll documents, and unsupported overtime.

Payroll Documents Not Approved – Six of the nineteen time sheets reviewed were missing the supervisor's signature. We also found an employee's leave slip was never signed by the employee's supervisor and was signed by the employee six days after the last date of the leave taken. Finally, one employee was paid for vehicle expenses, but the vehicle expense report was not approved.

Missing Payroll Documents – One time sheet, a leave slip, and a vehicle expense report could not be located. Although these documents were missing, employees were still compensated.

Overtime Not Properly Approved – Overtime was not supported with written approved documentation. Specifically, we found four employees had worked unscheduled overtime totaling 63.25 hours for the three pay periods we reviewed. However, there was no supporting documentation showing that the overtime was approved. According to Department staff, overtime was verbally approved. P&P 40-9, *Documenting and Approving Overtime*, states that both scheduled and unscheduled overtime require supporting documentation and approval.

- b. **Recommendation.** The Payroll Supervisor should remind the payroll specialists that all supporting payroll documentation should be completed and maintained for every payroll transaction.

- c. **Management Comments.** Management concurred and stated, “The Payroll Supervisor through the Controller and Chief Fiscal Officer will remind all Municipal Departments and Agencies that all timesheets and supporting documentation must be approved prior to the submission for payment pursuant to P&P 24-10.”

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

2. **Employee Not Properly Compensated for Overtime.**

- a. **Finding.** One Department did not compensate a non-represented employee for overtime when it was worked. Instead, when the employee left the Municipality at the end of 2010, a lump sum payment of \$6,104.93 was paid to the employee for 107.5 hours of overtime that the employee claimed he worked in 2010. Our review of the employee’s time sheets revealed no evidence of overtime being recorded in 2010 and

no evidence that overtime had been approved in advance. We were told that the only proof of overtime worked was maintained by the employee. Anchorage Municipal Code (AMC) 3.30.129, *Overtime for employees assigned to range 17N and below*, states that “Agency heads are responsible for seeing that no abuse of overtime occurs. All overtime work must have the prior approval of the agency head except in emergencies that preclude such prior approval. The agency head shall review the record and certify overtime approved for payment.” In addition, P&P 40-9 requires the request for scheduled overtime to be approved prior to the occurrence of the overtime and recorded on employee time cards prior to submittal to payroll. For unscheduled overtime, the overtime request must be submitted for approval no later than the second working day following the actual overtime occurrence.

- b. **Recommendation.** The Chief Fiscal Officer should remind all Municipal Departments and Agencies that all overtime must be documented and approved in advance as required by AMC 3.30.129 and P&P 40-9.

- c. **Management Comments.** Management concurred and stated, “The Payroll Supervisor through the Controller and Chief Fiscal Officer will remind all Municipal Departments and Agencies that all overtime must be documented, approved in advance, and compensated in the proper pay period as required under AMC 3.30.129. Additionally, Municipal Departments and Agencies will be reminded that while flexible scheduling is allowed for some Municipal employees that it must be done in the same work week in which the extra hours are worked, and that Compensatory Time is not allowable under Municipal Code.”

- 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 March 21, 2011.

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