




CITY OF LAREDO, TEXAS
INTERNAL AUDIT DIVISION

To: Honorable Mayor & Members of the City Council

CC: Robert A. Eads, City Manager
Rosario C. Cabello, Deputy City Manager
Kristina L. Hale, Assistant City Manager and Acting City Attorney
Riazul I. Mia, Assistant City Manager

From: Veronica Urbano-Baeza, Internal Auditor 

Date: August 14, 2020

Subject: Friday Packet: Internal Audit Notification(s) and/or Report(s)

Enclosed we are providing the following notification(s) and / or report(s) for your review and subsequent approval:

1. Consolidated Report (with Executive Summary): Unannounced Cash and Inventory Controls and Compliance Audits with Department Responses (January 2020 through June 2020); and,
2. Payroll Compliance Audit Report with Department Response: Parks and Recreation Department (Aquatics Division).

If you should have any questions regarding the enclosed notification(s) and / or report(s) submitted, please feel free to contact me at my office at (956) 790-1808. Thank you.

City of Laredo, Texas
Internal Audit Division



Payroll Compliance Audit Report with
Department Response: Parks and Recreation
Department (Aquatics Division)

August 13, 2020

**City of Laredo
Internal Audit Division**

**Payroll Compliance Audit Report with Department
Responses: Parks and Recreation Department
(Aquatics Division)**

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EXECUTIVE SUMMARY

In accordance with the Fiscal Year (FY) 2020 Annual Audit Plan, a payroll compliance audit was conducted of the Parks and Recreation Department's - Aquatics Division (Parks – Aquatics). A summary of the audit objectives, results and recommendations follow.

The overall objective of this audit was to determine compliance with the City of Laredo's (City) Payroll Policies and Procedures and to evaluate if proper internal controls are in place for monitoring payroll procedures.

Parks – Aquatics Division, Financial Services – Payroll Division and Human Resources personnel tasked with payroll responsibilities are ensuring that employee pay and deductions are calculated accurately and paid properly. Internal controls over the Parks – Aquatics Division payroll activities are in place and working with a couple of areas noted that could be improved. We determined that:

- Time Card approvals by the corresponding Parks – Aquatics employees were not always approved prior to the processing of payroll during the sample time periods reviewed; and,
- Leave requests were not always submitted by the corresponding employee; in those instances, the Parks – Aquatics Payroll Assistant would submit the leave requests for the employee in ExecuTime, the City's Time and Attendance software.

Based off of the results noted, we recommended the following:

- That both the employee and Supervisor approve time cards by 8:00 am Tuesday morning of payroll week in accordance with "ExecuTime Approvals" under the City's Payroll Policies and Procedures. This should be done in an effort to verify that the time cards are correct prior to processing payroll and to minimize the potential for corrections to payment of payroll hours after the fact; and,
- That all employees enter their own "Leave" requests into ExecuTime so that the Supervisor can approve the "Leave" request in accordance with the section "Edits and Leave Requests" under the City's Payroll Policies and Procedures.

Parks and Recreation Department's response to this audit can be found under Appendix A on page 6.

A more extensive report of all the audit results and recommendations can be found in the following report.

INTRODUCTION

In accordance with the Fiscal Year (FY) 2020 Annual Audit Plan, a payroll compliance audit was conducted of the Parks and Recreation Department's - Aquatics Division (Parks – Aquatics).

AUDIT OBJECTIVES

The objective of this audit was to determine if source payroll documents such as time cards, leave requests and authorized adjustments (edits) supported hours paid / compensated to Parks – Aquatics employees in accordance with the City of Laredo's (City) Payroll Policies and Procedures. Additionally, the Payroll internal controls for the Parks – Aquatics Division were evaluated for reliability and compliance with the City's established policies and procedures. Finally, an assessment of processed payroll deductions with their corresponding employee authorizations was conducted in order to verify that proper internal controls are in place.

AUDIT SCOPE AND METHODOLOGY

The sample time period selected for this review consisted of Payroll pay period # 2 (December 29, 2019 to January 11, 2020) and #3 (January 12, 2020 to January 25, 2020) from calendar year 2020. A random selection of twenty (20%) percent of the Parks – Aquatics Division was selected for testing. In order to achieve the audit objectives, we:

- Conducted interviews of Parks – Aquatics, Financial Services – Payroll, and Human Resources staff;
- Obtained an understanding of the City's most current Payroll Policies and Procedures (with any applicable amendments);
- Obtained an understanding of any applicable internal department payroll policies and procedures to be followed in addition to the City's Payroll Policies and Procedures;
- Obtained an understanding of Department of Labor (DOL) regulations and guidelines pertaining to Wage & Hour;
- Conducted a review of the following payroll documents for compliance test work:
 - ExecuTime time cards, leave requests and authorized adjustments (edits) for a randomly selected sample of the Parks – Aquatics Division employees for the selected time period;
 - Any applicable Corrections to Payment of Payroll Hours reports submitted to Payroll for the selected sample and time period;
 - Final Authorized Hours Proof Listing Reports (I-Series) for the selected sample and time period;
 - ExecuTime audit reports (i.e. Employee Time Inquiry Reports, Supervisor Audit Reports and Transaction Audit Reports) to test for excessive adjustments (edits) for the selected sample and time period.
- Obtained I-Series generated check detail information for selected samples to cross reference for proper employee authorization of benefits with employee personnel files at Human Resources.

We conducted this audit from March 2020 to July 2020 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain

sufficient, appropriate evidence to provide a reasonable basis for our audit results and conclusions based on our audit objectives.

AUDIT RESULTS & RECOMMENDATIONS

PARKS AND RECREATION DEPARTMENT (AQUATICS DIVISION):

Finding #1

From our review of the selected Time Card Reports for compliance with the City's Payroll Policies and Procedures, there were nine (9) instances where the employee approval was missing, and one (1) instance where the Supervisor's approval was missing prior to Payroll being processed and hours transferred into the I-Series for payment. Additionally, there was one (1) instance where the employee approval of the time card occurred after the Payroll deadline for that payroll week. In this particular instance, all approvals should have been submitted by January 28, 2020 by 8:00 am, but the employee approved the time card on January 29, 2020.

Recommendation(s)

It should be noted that the Parks – Aquatics Division staff have since approved those time cards with the missing approvals; however, those approvals occurred after we requested the time card documentation for testing, almost three months later. It is strongly recommended that both employee and Supervisor approve time cards by 8:00 am Tuesday morning of payroll week in accordance with "ExecuTime Approvals" under the City's Payroll Policies and Procedures. This should be done in an effort to verify that the time cards are correct prior to processing payroll and to minimize the potential for corrections to payment of payroll hours after the fact.

Finding #2

In testing our sample documentation for compliance with "Leave" requests, we found one (1) time card where the "Leave" requests were not submitted by the employee, but rather by the Payroll Assistant. Specifically, the time card for employee # 9253 (pay period December 29, 2019 to January 11, 2020) reflected "Comp Time Leave" requests for January 2, 2020 through January 4, 2020, but the employee did not submit a "Leave" request for those dates.

Recommendation(s)

Internal Audit recommends that all employees enter their own "Leave" requests into ExecuTime so that the Supervisor can approve the "Leave" request in accordance with the section "Edits and Leave Requests" under the City's Payroll Policies and Procedures. In the event of the employee's absence, then the Supervisor would enter the "Leave" request on their behalf as per City policy, but we would encourage the Supervisor to indicate that such action was taken due to employee's absence under the "Comments" section in ExecuTime.

Observation #1

In testing our sample documentation for compliance with "Edit" requests, we reviewed "Edit" authorization logs maintained by the Parks – Aquatics Division. While the authorization logs maintained meet the requirement of the Payroll Assistant obtaining authorization from the employee's immediate Supervisor prior to submitting the edit in ExecuTime, the authorization log does not identify the "Person Entering the Edit". Additionally, we also noted that the Supervisor signs the "Edit" authorization log but does not date the log.

Recommendation(s)

While ExecuTime has reporting capabilities to identify the user entering the edit, we would recommend that the Parks – Aquatics Division ensure that the “Edit” authorization logs identify the “Person Entering the Edit” on the log. Additionally, we would recommend that the Parks – Aquatics Division Supervisor date the “Edit” authorization logs when approving them in order to assist in maintaining an audit trail of the Payroll procedures followed.

FINANCIAL SERVICES DEPARTMENT (PAYROLL DIVISION):

Internal Audit found no findings.

HUMAN RESOURCES DEPARTMENT:

Observation #2

While conducting our test work for proper authorization of benefits with employee personnel files located at the Human Resources Department, we observed a few instances where the information entered on the “Miscellaneous Information” section of the City’s File Maintenance Form did not match up to that entered into the personnel module information in the I-Series System. For example, there were a couple of instances where the Workers Compensation code reflected 9102 (Park – All Employees & Drivers) on the File Maintenance Form, but the I-Series System reflected code 8810 (Clerical Office Employees). After confirming with Human Resources staff, code 8810 is the correct code to use because it is based off of the employee’s position, and therefore is reflected correctly in the I-Series System. Staff also indicated that the person filling out that portion of the File Maintenance Form may not always be the same person entering the information into the I-Series System.

Recommendation(s)

While it is understandable that it may not always be clear as to which Workers Compensation code to utilize for a particular position given the number of codes available, we would recommend that an additional check be implemented, if not already done, at the time the information is entered into the I-Series System. We would recommend that any differences between the two be documented to reflect the correct code to be entered into the system.

Prepared By: <u>Bmedellin</u> <u>8/4/2020</u>		Reviewed By: <u>Veronica Urbano-Baeza</u> <u>8-4-2020</u>	
Bianca Medellin, Auditor I	Date	Veronica Urbano-Baeza, Internal Auditor	Date
Report Issued To:	Response Required	Response Due Date	
Juan J. Gomez, Jr., Parks & Recreation Director	YES	Ten (10) Working Days from Receipt of Audit Report	
Jose F. Castillo, Acting Financial Services Director	NO		
Melina Bermudez, Human Resources Director	NO		
All responses must be signed by the Department Director, addressed and submitted to the Internal Auditor with a copy to their respective Assistant City Manager and City Manager, and include the following:			

1. Agreement with audit findings and recommendations or reasons for disagreement with audit findings and recommendations;
2. A description of the progress in resolving findings noted or plans for addressing findings noted; and,
3. An implementation schedule identifying specific steps to be taken and target dates for resolution of findings and/or implementation of corrective action taken.

Report Distribution:

Robert A. Eads, City Manager
Rosario C. Cabello, Deputy City Manager
Riazul I. Mia, Assistant City Manager
Jesus Esparza, Payroll Manager

Appendix A – Department Response



CITY OF LAREDO

Parks & Recreation Department



MEMORANDUM

TO: Veronica Urbano-Baeza, Internal Auditor

FROM: Juan J. Gomez, Jr., Parks and Recreation Director



RE: Parks and Recreation Department, Aquatics Division, Payroll Compliance Audit Report dated July 31, 2020

DATE: August 12, 2020

In reviewing the audit, we agree with the findings and are taking steps to ensure staff adhere to the City's Payroll Policies and Procedures.

In Finding No. 1, it was noted that there were nine instances where employee approval was missing and one instance where supervisor's approval was missing. While aquatic staff schedules reflect that Monday is an off day for staff due to the pools being open Tuesday through Sunday and some are generally scheduled to report later Tuesday due to operating hours, we will require that all staff approve their hours Sunday evening or first thing Tuesday morning depending on schedule. We will be placing signage on all computers where staff clock in and out with a calendar highlighting the dates approval is required.

In Finding No. 2, it was noted that on one instance, there was a leave request that was not submitted by the employee but rather the Payroll Assistant. Staff will be advised that the Payroll Assistant will be providing computer assistance for those who have difficulty inputting such requests but that they need to physically come in. On those occasions where employee is absent, the Supervisor will enter the request and will notate the reason under Comments section.

In Observation No. 1 regarding compliance with "Edit" requests, it was noted that the person entering the audit was not identified. While ExecuTime has reporting capabilities to determine this, it was recommended that the "Edit" authorization logs identify the person entering the edit on the log itself. Additionally, it was recommended that the supervisor date the "Edit" authorization logs when approving them in order to assist in maintaining an audit trail of the Payroll procedures followed. Both recommendations will be implemented to assure compliance.

XC: Riazul I. Mia, Assistant City Manager
Robert A. Eads, City Manager