



CITY OF RICHMOND  
CITY AUDITOR

DATE: January 10, 2019

TO: Mrs. Selena Cuffee-Glenn  
Chief Administrative Officer

FROM: Louis Lassiter *LOW*  
City Auditor

SUBJECT: Updated Citywide Payroll Audit

The City Auditor's Office has updated the Executive Summary and page 5 of the Citywide Payroll audit:

*The auditors analyzed employees who were paid 700 or more overtime hours each (ranged from 703 to 1,889). The analysis identified 57 employees who were paid more than 700 overtime hours, which resulted in approximately \$1.8 million (ranged from \$14,235 to \$59,534)*

If you have any questions, please contact the Auditor's Office.

Attachment

cc: The Richmond Audit Committee  
The Richmond City Council  
Ms. Lenora Reid, DCAO of Administration  
Mr. Robert Steidel, DCAO of Operations  
Mr. Reginald Gordon, DCAO of Human Services  
Mr. Douglas Dunlap, Interim DCAO Economic Development

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# 2019-07 Citywide Payroll

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City of Richmond, VA  
City Auditor's Office  
January 10, 2019



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# Highlights

Audit Report to the Audit Committee, City Council, and the Administration

## Why We Did This Audit

The Office of the City Auditor conducted this audit as part of the FY18 audit plan approved by the Audit Committee.

This audit focused on the processing of bi-weekly payroll for all City departments. The objectives of this audit were to evaluate the internal controls over recording, approving, and processing payroll within the City and to ensure compliance with applicable laws and regulations.

## What We Recommend

-That the HR Director work with the CAO to implement a policy to limit the number of overtime hours allowed for an employee, adjusted for the applicable FLSA threshold.

-That the CAO require all the City departments to document and formally approve all overtime hours in accordance with the City and departmental procedures.

We recommend that the CAO and City Council:

-Require the department directors and staff to ensure compliance with the Leave Policy by processing leave timely in RAPIDS.

-Verify the leave taken by the identified employees during CY17 and adjust their leave balances accordingly.

We recommend that the HR Director:

-Coordinate with DIT to make the "Absence Date" field required in RAPIDS.

-Create a report of recent separations to be periodically sent to the Chief of Security and Safety for review.

-Create a formalized electronic termination procedure that automatically notifies essential departments upon termination.

We also issued other recommendations to improve the citywide payroll process.



## Citywide Payroll

**Background** - The Payroll Division within the Finance Department is responsible for processing the City's payroll accurately and timely. The City's payroll is processed centrally, however all departments play a role ensuring time is recorded, approved, and submitted for processing. As of December 31, 2017 the City had 4,356 employees. Payroll expenditures for Calendar Year 2017 (CY17) totaled approximately \$350 million, which included about \$16 million in overtime expenditures.

## Commendations

### Tax Deposits, Quarterly Tax Report Filings and Non-Tax withholdings.

- The auditors reviewed all tax deposits for each pay period and noted all payments were processed timely and accurately.
- The federal and state quarterly returns were processed timely and accurately.
- The auditors reviewed all non-tax withholdings for April 2017 and noted all payments, except for group life insurance were processed timely and accurately.

## Needs Improvement

**Finding #1 – Overtime Hours** - During CY17, the City paid approximately \$16 million in overtime pay. The auditors analyzed employees who were paid 700 or more overtime hours each (ranged from 703 to 1,889). The analysis identified 57 employees were paid more than 700 overtime hours, resulting in approximately \$1.8 million (ranged from \$14,235 to \$59,534).

**Finding #2 – Overtime Documentation** - The auditors analyzed three pay periods for a sample of high overtime earners to determine whether overtime approvals were supported based on the testing. Improvements are needed in supporting documentation for overtime approved in the system.

**Finding #3 – Employee Leave Adjustments** - For the FY17 leave audit, City departments submitted 3,239 leave adjustments. The leave adjustments ranged from reductions up to 6,367 hours to increases of up to 639 hours. Additionally, during CY17, the Department of Finance did not conduct the quarterly leave audit or obtain memorandums from the departments explaining the reasons for their adjustments.

**Finding #4 – Low Vacation Leave Taken** - During CY17, the City had 90 employees with over a year of service who took vacation hours of 10 hours or less in the time card register. Of these, 58 showed zero vacation hours taken. Their supervisors approved the timecards without deducting vacation hours taken. This resulted in overstated leave balances. One department adjusted 772 hours during FY17, which totaled \$32,449.

**Finding #5 – Holiday and Floating Holiday** - The auditors identified 252 instances where employees took more holiday hours than allotted. The auditors analyzed 126 of these and noted nine were incorrectly charged to holiday instead of vacation or sick leave. The auditors also identified 32 employees who took multiple floating holidays instead of one during CY17. This resulted in \$3,160 and \$3,561 holiday and floating holiday pay, respectively.

**Finding #6 – Group Life Insurance Payment** - For April 2017, the salaries reported to VRS for 26 sampled employee did not match the salaries in the financial system. The salaries reported to VRS were understated by \$75,631, which resulted in a premium payment shortage of \$991.

**Finding #7 – Personal Vehicle Usage** - During CY17, the Finance Department did not enforce Policies requesting departments for the quarterly Personal Vehicle Usage (PVU). Finance reported taxable fringe benefits for PVU of a City take home vehicle for only one employee.

**Finding #8 – New Hire Documentation** - During CY17, the City had 744 new hires. We reviewed 37 new hire files and noted documentation was inconsistent and incomplete.

**Finding #9 – Employee Separations** - During CY17, the City had 623 separations. The auditors analyzed 32 of these and noted 16 of their City identification cards had not been deactivated as of September 2018.

Management concurred with 15 of 15 recommendations. We appreciate the cooperation received from management and staff while conducting this audit.

## BACKGROUND, OBJECTIVES, SCOPE, METHODOLOGY, MANAGEMENT RESPONSIBILITY and INTERNAL CONTROLS

This audit was conducted in accordance with the Generally Accepted Government Auditing Standards promulgated by the Comptroller General of the United States. Those Standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions based on the audit objectives. We believe that the evidence obtained provides a reasonable basis for their findings and conclusions based on the audit objectives.

### BACKGROUND

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#### Overview

The Payroll Division within the Finance Department is responsible for processing the City's payroll accurately and timely. Some of their responsibilities include:

- Processing of payroll data on a bi-weekly basis;
- Generating and distributing checks and wire transfers;
- Updating, reviewing, and reconciling payroll deductions;
- Submitting tax payments;
- Submitting payments to third parties; and
- Various other customer service activities.

The City's payroll is processed centrally, however all departments play a role ensuring time is recorded, approved, and submitted for processing. The Human Resources Department (HR) also has critical processes that impact payroll and benefits. The departments use various tracking systems to record employee time as follows:

- POSS (Police),
- Replicon (DIT),
- KABA (DPU, DPRCF, DPW), and
- RAPIDS Self Service (all departments)

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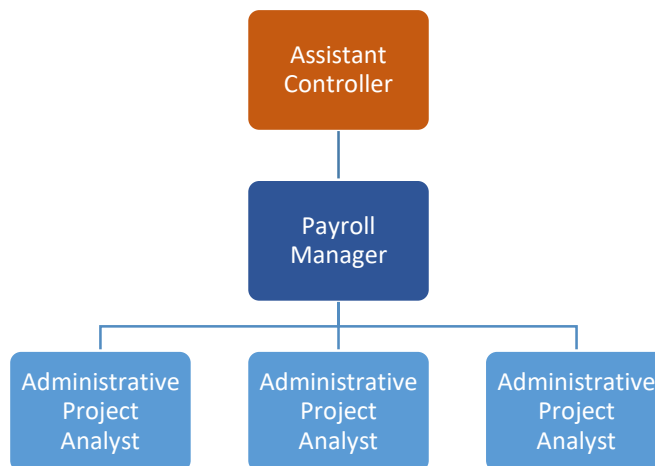
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As of December 31, 2017, the City had 4,356 employees. For Calendar Year 2017 (CY17), the payroll expenditures totaled approximately \$350 million, which included about \$16 million in overtime expenditures.

The Payroll Division consists of a Payroll Manager and three full time Administrative Project Analysts. The Division is led by an Assistant Controller as depicted below:



## **OBJECTIVES**

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The objectives for this audit were:

- To evaluate whether the internal controls over employee record keeping provided reasonable assurance that payroll was stated accurately and changes were processed timely.
- To determine compliance with applicable laws and regulations.

## **SCOPE**

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The scope of this audit was the citywide payroll process for the 12 months ended December 31, 2017.

## **METHODOLOGY**

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The auditors performed the following procedures to complete this audit:

- Interviewed management and staff;
- Reviewed and evaluated relevant policies and procedures and tested for compliance;
- Reviewed hard copy files for leave adjustments, new hires and employee separations;
- Analyzed over time and other payroll activities; and
- Performed other tests, as deemed necessary.

## **MANAGEMENT RESPONSIBILITY**

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City management is responsible for ensuring resources are managed properly and used in compliance with laws and regulations; programs are achieving their objectives; and services are being provided efficiently, effectively, and economically.

## **INTERNAL CONTROLS**

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According to the Government Auditing Standards, internal control, in the broadest sense, encompasses the agency's plan, policies, procedures, methods, and processes adopted by management to meet its mission, goals, and objectives. Internal control includes the processes for planning, organizing, directing, and controlling program operations. It also includes systems for measuring, reporting, and monitoring program performance. An effective control structure is one that provides reasonable assurance regarding:

- Efficiency and effectiveness of operations;
- Accurate financial reporting; and
- Compliance with laws and regulations.

Based on the audit test work, the auditors concluded that internal controls related to the Citywide Payroll process need improvement, which is discussed throughout this report.



## FINDINGS and RECOMMENDATIONS

### What Works Well

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#### Tax Deposits and Quarterly Payroll Tax Report Filings

For each pay period, the City is responsible for withholding all federal and state tax obligations. Federal tax payments consist of employee withholdings for federal tax, Social Security, and Medicare along with the City's portion of Social Security and Medicare. These withholdings must be submitted to the Internal Revenue Service within the established timeline. The tax obligation amount determines the tax payment due date. For the City, the federal liability exceeded \$100,000 each pay period, thus payments had to be remitted by the next business day after each pay cycle. State withholdings are also withheld from employees and submitted to the Virginia Department of Taxation.

The auditors reviewed all the tax deposits for each pay period and noted all payments were processed timely and accurately. The auditors also noted, the federal and state quarterly returns were processed timely and accurately as well.

#### Other Payroll Withholdings

The City withholds non-tax funds from employees. Some of the withholdings may include:

- health and dental insurance,
- retirement contributions,
- other optional benefits, and
- other involuntary payments, which may include child support, tax liens, and other garnishments.

The auditors reviewed all non-tax withholdings for April 2017 and noted that all payments, except for group life insurance were processed timely and accurately.



## What Needs Improvement

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### *Finding #1 – Overtime Hours*

During CY17, the City paid approximately \$16 million in overtime pay. The auditors analyzed employees who were paid 700 or more overtime hours each (*ranged from 703 to 1,889*). The analysis identified 57 employees who were paid more than 700 overtime hours, which resulted in approximately \$1.8 million (*ranged from \$14,235 to \$59,534*).

The auditors noted the City does not have a policy limiting the amount of overtime an employee may work. According to staff, a large percentage of the overtime was due to minimum staffing requirements and emergencies. However, studies have shown that employees working extended overtime hours over long periods may result in reduced employee productivity and exposes the employees to safety and health risks.

#### **Recommendation:**

1. ***We recommend that the Human Resources Director work with the CAO to implement a policy to limit the number of overtime hours allowed for an employee, adjusted for the applicable FLSA threshold.***

### *Finding #2 – Overtime Documentation*

As mentioned previously, the auditors analyzed employees who were paid 700 or more overtime hours each. The analysis identified 57 employees who were paid more than 700 overtime hours, which resulted in approximately \$1.8 million. The auditors also analyzed three employees who were paid more than 500 hours of overtime to ensure coverage of other major departments. These three employees were paid approximately \$49,000 in overtime. The auditors analyzed three pay periods (*highest overtime*) for 26 of the 60 to determine whether overtime approval was documented.

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The table below depicts the documentation submitted by departments in support of the overtime:

Department	Pay Periods Reviewed	Total OT Paid	Supporting Documentation Provided	Supporting Documentation Not Provided
Public Utilities	21	\$41,672	\$28,690	\$12,982
Emergency Communications	9	\$20,882	\$11,643	\$9,239
Police	18	\$52,371	\$46,646	\$5,725
Public Works	9	\$15,773	\$10,734	\$5,039
Parks	9	\$12,290	\$8,627	\$3,663
Social Services	6	\$22,995	\$22,995	\$0
Fire	6	\$10,672	\$10,672	\$0
<b>Total</b>		<b>\$176,655</b>	<b>\$140,007</b>	<b>\$36,648</b>

The above departments have a variety of documentation to support processed overtime in the Financial System. This documentation may include overtime approval forms, monthly sign up and Police overtime forms (PD57). Payroll is approved in the system but departmental supporting documentation throughout the City is not consistent. With \$16 million of overtime paid throughout the City, if this limited sample's documentation is representative of all the overtime paid, the City could be paying substantial amounts in overtime that is poorly documented.

**Recommendation:**

**2. We recommend that the CAO require all the City departments to document and formally approve all overtime hours in accordance with the City and departmental procedures.**

**Finding #3 – Employee Leave Adjustments**

According to Policy number 7-002, Chapter 7, the Payroll Division is required to perform quarterly departmental audits of employee leave balances. The Policy requires departments to submit a memorandum for all leave corrections describing the reason for the change and a corrected leave report along with supporting documentation.

For the FY17 leave audit, City departments submitted 3,239 leave adjustments, including 527 adjustments greater than 100 hours. The auditors analyzed 53 of the adjustments to determine

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the reasons for the adjustments. The analysis revealed large ranges of additions and reductions of vacation and sick hours as follows:

- Sick Leave – balance increases ranged from 31 to 2,017 hours, while reductions ranged from 22 to 6,367 hours.
- Vacation Leave – balance increases ranged from 24 to 639 hours, while reductions ranged from 42 to 725 hours.

Additionally, during Calendar Year 2017, the Department of Finance did not conduct the quarterly leave audit or obtain memorandums from the departments explaining the reasons for their adjustments.

The auditors noted some of the large adjustments were due to:

- The absence date field in RAPIDS not being a required field. However, if the date field is not populated, any leave adjustments made throughout the year would not be reflected in the leave balances. The HR staff keying the adjustments were not properly trained to ensure the absence date was populated.
- The Financial System not being properly configured to pro-rate vacation and sick leave accrual for part-time staff based on the City's administrative regulations.
- Leave taken by employees not being consistently keyed in the financial system and properly approved by their supervisors.

This means that employee leave balances are not accurately stated in the financial system, which can overstate or understate leave liabilities on the financial statements. Also, additional administrative time is spent by tracking leave manually and in the financial system. Additionally, the vacation payout for staff who leave employment with the City require additional manual processes, which may lead to overstated or understated payouts.

### ***Recommendations:***

- 3. We recommend that the Human Resources Director coordinate with DIT to make the "Absence Date" field required in the Financial System (RAPIDS).***

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4. *We recommend that the Director of Finance enforce Policy number 7-002 and require quarterly departmental audits of employee leave balances.*
5. *We recommend that the Human Resources Director work with DIT to configure the Financial System to properly pro-rate leave accruals for part time employees.*

***Finding #4 – Low Vacation Leave Taken***

According to Finance's Policy on Accounting for Leave, leave balances are based on leave accruals less any leave taken. Absences for the departments are to be entered, maintained, and updated in the Financial System on a bi-weekly basis by each agency's timekeeper.

The auditors noted the City had 90 employees with over a year of service that took 10 vacation hours or less during CY17 in the time card register. Of the 90 employees, 58 showed zero vacation hours taken in the Financial System. The auditors tested a sample of 39 employee leave records (24 with zero leave taken) from five departments as outlined below:

<b><i>Department</i></b>	<b><i>Number Tested</i></b>
<i>City Council</i>	2
<i>Community Wealth Building</i>	6
<i>Finance</i>	11
<i>Parks &amp; Recreation</i>	4
<i>Public Utilities</i>	16

The auditors obtained detail responses from the Department of Public Utilities which supported low or no leave taken. Additionally, as mentioned earlier the absence date field in RAPIDS is not a required field. Some departments submitted leave adjustments for an employee, however their balance was not updated because the absence date field was not populated. The other departments either maintained records outside of the financial system, processed subsequent adjustments to the leave balance, or did not provide detail responses for the individuals identified.

Throughout the year, employees took vacation leave, however, their supervisors approved the timecards without deducting the vacation hours taken. One department stated they processed leave requests in the Financial System but these do not automatically flow to the timecard processing for leave. This resulted in overstated vacation leave balances in the Financial System.

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The auditors noted the Finance Department had 11 employees with incorrect vacation leave balances. They adjusted a total of 772 hours taken but not deducted from the employees' balances during FY17, which totaled \$32,449.

Additionally, auditors noted some employees in other departments did not record any leave or adjustments during CY17 that will require further review. This oversight also resulted in loss of productivity due to additional administrative work by the departments, HR, and Finance to make the necessary adjustments. This also resulted in an overstated leave liability.

### ***Recommendations:***

6. *We recommend that the CAO and City Council require the department directors and staff to ensure compliance with the Leave Policy by processing leave timely in the Financial System (RAPIDS).*
7. *We recommend that the CAO and City Council verify the leave taken by the identified employees during calendar year 2017 and adjust their leave balances accordingly.*

### ***Finding #5 - Holiday/Floating Holiday***

According to Administrative Regulation 5.2, employees are allotted a predetermined number of holidays and one floating holiday during each calendar year. Except for shift personnel, City employees are granted eight hours for holidays. According to Administrative Regulation 5-02, all employees who are employed by the City by May 1st of each year, are eligible for a floating holiday.

#### **Holiday:**

The auditors identified 252 instances where holiday leave hours charged by employees were more than the allotted hours. The auditors analyzed 126 of those instances and noted nine of the 126 were charged incorrectly to holiday. These should have been charged to vacation or sick leave.

#### **Floating Holiday:**

The auditors analyzed the floating holiday hours for all employees and identified 32 employees that took multiple floating holidays during calendar year 2017.

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The analysis revealed:

- Twenty three were duplicate floating holidays taken by employees (no corrective action taken on 14 prior to the audit).
- Nine were floating holiday hours divided among multiple days, but did not exceed the allotted hours.

The auditors also identified a floating holiday granted to an employee who was not eligible to receive a floating holiday.

Supervisors are responsible for reviewing and approving employee time recorded for Holidays and Floating Holidays. The system does not restrict the number of floating holiday or holiday hours recorded. Based on inquiries with the identified supervisors, they indicated that time is either expected to be correct prior to them getting it for approval or that they do not have a mechanism to verify that time is accurately recorded when it gets to them.

The improper keying and approval of additional holiday and floating holiday hours resulted in employees showing a higher vacation and sick leave balances. This resulted in \$3,160 and \$3,561 holiday and floating holiday pay, respectively. This oversight also resulted in loss of productivity due to additional administrative work by the departments, HR, and Finance to make the necessary adjustments.

### ***Recommendation:***

- 8. We recommend that the Director of Human Resources run a report at calendar year end showing floating holiday and holiday hours over the limits and distribute to departments for correction prior to W-2 processing.***

### ***Finding #6 – Group Life Insurance Payment***

Full time permanent employees are covered by a group life insurance policy which is administered by the Virginia Retirement System (VRS). Premiums for the coverage are based on salary and classification:

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- *Classified Employees* - a pre-determined percentage of the premium is shared by both the employee and the City.
- *Unclassified Employees* – 100% of the premium is paid by the City.

For the month of April 2017, the auditors identified a variance between the payment to VRS for the Minnesota Group Life insurance and the general ledger. The auditors reviewed the salaries used to calculate the group term life insurance premiums for 26 employees and note 11 of the 26 salaries were understated.

The below table outlines the variance in salary for the sampled employees:

<b>Total Salary in City Financial System</b>	<b>Annualized Salary VRS Group Life Invoice Detail</b>	<b>Variance</b>
<b>789,381.21</b>	713,750.16	(75,631.05)

Based on the above table, the salaries reported to VRS were understated by \$75,631, which resulted in a premium payment shortage of \$991. This means that the insurance coverage for some employees was not accurate.

The auditors noted HR does not have a formal process for providing updated salary changes to VRS. HR staff indicated that employee salaries are only updated when identified.

**Recommendation:**

9. *We recommend that the Human Resources Director develop and implement a standard process to ensure that employee salary changes are updated timely with VRS for group term life insurance.*

**Finding #7 – Personal Vehicle Usage**

According to the Department of the Treasury, Publication 15-B, employers must report on the employees' W-2 Form fringe benefits that are subject to employment taxes. Additionally, the



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Finance Department's Policies and Procedures 7-013, requires the value of Personal Vehicle Usage (PVU) be reported as income at the end of the calendar year on the appropriate employee's W-2.

During CY17, the Finance Department only reported one employee who had taxable fringe benefit on their W-2 Form due to PVU of a City take home vehicle. The Finance Department did not enforce Policy 7-013. According to the Policy, Finance submits a request to the departments for the quarterly PVU Form. The form was not sent out to the agencies as required by this Policy. As a result of the lack of enforcement of the policy, the City could be under reporting wages for employees who have City take home vehicles as well as under reporting payroll tax liabilities for those employees.

***Recommendation:***

- 10. We recommend that the City Controller enforce Policy 7-013 on Personal Vehicle Usage to ensure compliance with IRS Reporting Guidelines.***

***Finding #8 – New Hire Documentation***

For all new City employees, HR uses a checklist that outlines the required documentation to be maintained in the personnel files. The documentation requirement varies depending on the position, type of employee, and the department (i.e. Police Officers, provisional employees). However, the new hire checklist is general and does not outline specific requirements by employee type. Each department has a HR Liaison who is responsible for coordinating with the new employee to obtain the necessary documentation.

During CY17, the City had 744 new hires. The auditors reviewed 37 new hire files for compliance and completeness of the required documentation. Testing revealed the documentation was inconsistent and incomplete. The table below depicts the testing results:

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<i>Required Documentation</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>
<i>HR New Hire Checklist</i>	33	4	0
<i>HR Transaction Form</i>	37	0	0
<i>I-9 with copies of documents</i>	37	0	0
<i>Federal and State W-4s</i>	37	0	0
<i>Signed Social Security Card</i>	37	0	0
<i>Offer letter with starting salary</i>	33	4	0
<i>Signed Electronic Media AR Receipt</i>	31	6	0
<i>Completed Educational Form</i>	33	4	0
<i>Signed Substance Abuse Policy Receipt</i>	33	4	0
<i>Signed Administrative Regulations Receipt</i>	33	4	0
<i>Signed Statement of Ethics</i>	32	5	0
<i>Signed Anti-Harassment</i>	33	4	0
<i>Completed City of Richmond Application/ Notice of Intent for Season Reemployment</i>	30	4	3
<i>Copy of Budget Approval</i>	25	12	0
<i>Veterans Status Form</i>	33	4	0
<i>Background Check Memo</i>	28	9	0
<i>Signed Personnel Rules Receipt</i>	33	4	0

Incomplete and missing documentation could result in:

- Hiring an ineligible employee.
- Hiring employees that have not passed the required background checks, which exposes the City to liability for certain positions.

The auditors also noted that the required documentation is a manual process, which could lead to missing documentation and inefficiencies.

**Recommendations:**

- 11. We recommend that the Director of Human Resources ensure that HR staff review the new hire checklist for completeness and accuracy for each new hire.*
- 12. We recommend that the Director of Human Resources implement an electronic scanning system for filing and monitoring completeness of documentation.*

***Finding #9 – Employee Separations***

According to HR, upon separation from City service, departments must complete the separation checklist to ensure employees are properly separated from the City. Also, according to Administrative Regulation 4.12, every City employee must have a valid City identification card, which must be deactivated immediately upon separation.

During CY17, the City had 623 separations, which included:

- 340 Full time permanent
- 14 Fulltime temporary
- 16 Part time permanent
- 24 Part time temporary
- 175 Seasonal
- 54 Provisional

The auditors analyzed 32 employee separations to determine whether their City badges had been deactivated and noted:

- Sixteen had not been deactivated as of September 2018
- Seven did not get a badge
- Nine were deactivated

The auditors also reviewed the separation checklist noting whether it complied with the required tasks and noted the tasks outlined in the separation checklist do not apply to all employee types.

The auditors noted HR did not have formal guidance to identify which tasks were applicable to the different types of separations. Without guidance, staff may not know what must be done upon separation. Additionally, HR management did not have proper oversight to ensure badges were deactivated upon separation. This means that former employees whose badges are not deactivated could gain unauthorized access to City facilities.

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***Recommendations:***

- 13. We recommend that the Director of Human Resources revise the separation checklist to identify which tasks apply to specific employee (i.e. full time, seasonal), and separation types.*
- 14. We recommend that the Director of Human Resources create a formalized electronic termination procedure that automatically notifies essential departments upon termination (e.g., HR, DIT, DPW, etc.).*
- 15. We recommend that the Director of Human Resources create a report of recent separations to be periodically sent to the Chief of Security and Safety for review.*

**APPENDIX A: MANAGEMENT RESPONSE FORM**

**2019-07 Citywide Payroll audit**

#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
1	We recommend that the Human Resources Director work with the CAO to implement a policy to limit the number of overtime hours allowed for an employee, adjusted for the applicable FLSA threshold.	<b>Y</b>	Administrative Regulation 4.5 addresses overtime compensation to ensure compliance with FLSA. The Department of Human Resources will work with department directors and timekeepers to develop department policies to prevent the overuse of employee overtime to maintain a compliant and safe work environment.
	<b>TITLE OF RESPONSIBLE PERSON</b>		<b>TARGET DATE</b>
	Director of Human Resources		06/30/19
	<b>IF IN PROGRESS, EXPLAIN ANY DELAYS</b>		<b>IF IMPLEMENTED, DETAILS OF IMPLEMENTATION</b>
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
2	We recommend that the CAO require all the City departments to document and formally approve all overtime hours in accordance with the City and departmental procedures.	<b>Y</b>	Administrative Regulation 4.5 addresses overtime compensation to ensure compliance with FLSA. Currently, all overtime hours are approved by each employee's supervisor in the RAPIDS system on the RAPIDS timecard; however, departments do have the authority to require additional authorization over and above the RAPIDS approval. Email correspondences will be sent to department directors and timekeepers to request attention to and compliance with overtime approval processes within corresponding departments.
	<b>TITLE OF RESPONSIBLE PERSON</b>		<b>TARGET DATE</b>
	Director of Human Resources		1/14/19 - email memo to timekeepers and directors
	<b>IF IN PROGRESS, EXPLAIN ANY DELAYS</b>		<b>IF IMPLEMENTED, DETAILS OF IMPLEMENTATION</b>
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
3	We recommend that the Human Resources Director coordinate with DIT to make the "Absence Date" field required in the Financial System (RAPIDS).	<b>y</b>	The "Absence Date" field is required on the RAPIDS timecard; however, corrections to leave that are processed via payroll transaction forms do not require dates. Human Resources will coordinate with Finance-Payroll to revise Payroll Action forms to require dates and leave types. Additionally, Human Resources is working with Department of Information Technology to make the date field required.
	<b>TITLE OF RESPONSIBLE PERSON</b>		<b>TARGET DATE</b>
	Director of Human Resources		6/30/19
	<b>IF IN PROGRESS, EXPLAIN ANY DELAYS</b>		<b>IF IMPLEMENTED, DETAILS OF IMPLEMENTATION</b>

**APPENDIX A: MANAGEMENT RESPONSE FORM**

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#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
4	We recommend that the Director of Finance enforce Policy number 7-002 and require quarterly departmental audits of employee leave balances.	Y	The corrective action plan regarding quarterly audits is to have leave requests in absence management populate on the timecards once the request is approved through RAPIDS' workflow. This would streamline the process and end the need for employee to use two sources to request and have leave deducted. Once RAPIDS workflow is modified, Payroll staff will conduct quarterly audits.
	<b>TITLE OF RESPONSIBLE PERSON</b>		<b>TARGET DATE</b>
	City Controller		6/30/19
	<b>IF IN PROGRESS, EXPLAIN ANY DELAYS</b>		<b>IF IMPLEMENTED, DETAILS OF IMPLEMENTATION</b>
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
5	We recommend that the Human Resources Director work with DIT to configure the time and attendance module in the Rapids System to properly pro-rate leave accruals for part time employees.	Y	Currently, Human Resources is working with the Department of Information Technology on the functionality in the time and attendance module of RAPIDS to properly calculate leave accruals for and part-time employees.
	<b>TITLE OF RESPONSIBLE PERSON</b>		<b>TARGET DATE</b>
	Director of Human Resources		6/30/19
	<b>IF IN PROGRESS, EXPLAIN ANY DELAYS</b>		<b>IF IMPLEMENTED, DETAILS OF IMPLEMENTATION</b>
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
6	We recommend that the CAO and City Council require the department directors and staff to ensure compliance with the Leave Policy by processing leave timely in the Financial System (RAPIDS).	Y	<u>Administration's response:</u> All employees are required to submit timecards in RAPIDS for leave taken during the pay period. In the unlikely event that an employee fails to get a required timecard submitted and approved in a timely manner, a process is in place where the department HR Liaison submits an adjustment to Finance-Payroll. Directors and timekeepers will be reminded to follow up with employees who have taken off time during the time period to ensure that a timecard has been submitted and approved by the payroll deadline.
	<b>TITLE OF RESPONSIBLE PERSON</b>		<b>TARGET DATE</b>
	Director of Human Resources		1/14/19 - Email to HR Liaisons
		Y	<u>City Council Chief of Staff's response:</u> An email will be sent to City Council and Council liaisons regarding the City's Leave Policy. Furthermore, each pay period, the Offices's timekeeper will be sending reminders to supervisors and employees to submit any leave taken including a specific deadline so that leave can be processed timely.
	<b>TITLE OF RESPONSIBLE PERSON</b>		<b>TARGET DATE</b>
	Deputy Council Chief of Staff		15-Jan-19

**APPENDIX A: MANAGEMENT RESPONSE FORM**

**2019-07 Citywide Payroll audit**

#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
7	We recommend that the CAO and City Council verify the leave taken by the identified employees during calendar year 2017 and adjust their leave balances accordingly.	Y	<b>Administration's response:</b> The provided list of employees is currently being researched to ensure that leave adjustments have not been posted for the period in question. For those employees without leave balance adjustments for the related period, emails will be sent urging employees to review the leave requests submitted for accuracy and to self-submit adjustments to their leave.
	<b>TITLE OF RESPONSIBLE PERSON</b>		<b>TARGET DATE</b>
	Director of Human Resources		1/31/2019
		Y	<b>City Council Chief of Staff's response:</b> The Office will verify the leave taken and complete and submit the necessary forms to the Department of Finance to adjust the employees leave balances accordingly.
	<b>TITLE OF RESPONSIBLE PERSON</b>		<b>TARGET DATE</b>
	Deputy Council Chief of Staff		15-Jan-19
	<b>IF IN PROGRESS, EXPLAIN ANY DELAYS</b>		<b>IF IMPLEMENTED, DETAILS OF IMPLEMENTATION</b>
			Leave has been verified from one of the two samples indicated on the Audit Report, and the payroll action form(s) has been forwarded to the Department of Finance Payroll Manager for correction. The Office is waiting on information from the other employee but once received the appropriate action steps will be taken to adjust leave balances accordingly.
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
8	We recommend that the Director of Human Resources run a report at calendar year end showing floating holiday and holiday hours over the limits and distribute to departments for correction prior to W-2 processing.	Y	HR and DIT are working on the functionality in the time and attendance module to properly create a leave code for floating holidays and to accurately account for and communicate to departments the employees that are noted as having holiday hours over the limits.
	<b>TITLE OF RESPONSIBLE PERSON</b>		<b>TARGET DATE</b>
	Director of Human Resources		6/30/19
	<b>IF IN PROGRESS, EXPLAIN ANY DELAYS</b>		<b>IF IMPLEMENTED, DETAILS OF IMPLEMENTATION</b>
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
9	We recommend that the Human Resources Director develop and implement a standard process to ensure that employee salary changes are updated timely with VRS for group term life insurance.	Y	Benefits reports are currently being retrieved from each third party benefits provider, including VRS. Monthly reconciliations are being implemented to be completed by the Human Resources Benefits team for comparison with employee data.
	<b>TITLE OF RESPONSIBLE PERSON</b>		<b>TARGET DATE</b>
	Director of Human Resources		1/11/19 Payroll
	<b>IF IN PROGRESS, EXPLAIN ANY DELAYS</b>		<b>IF IMPLEMENTED, DETAILS OF IMPLEMENTATION</b>



**APPENDIX A: MANAGEMENT RESPONSE FORM**

**2019-07 Citywide Payroll audit**

#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
10	We recommend that the City Controller enforce Policy 7-013 on Personal Vehicle Usage to ensure compliance with IRS Reporting Guidelines.	<b>Y</b>	Finance will update the policy to reflect annual processing of the forms instead of quarterly for applicable City employees, and provide annual reminders to City departments of the IRS Reporting Guidelines.
	<b>TITLE OF RESPONSIBLE PERSON</b>		<b>TARGET DATE</b>
	City Controller		5/31/19
	<b>IF IN PROGRESS, EXPLAIN ANY DELAYS</b>		<b>IF IMPLEMENTED, DETAILS OF IMPLEMENTATION</b>
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
11	We recommend that the Director of Human Resources ensure that HR staff review the new hire checklist for completeness and accuracy for each new hire.	<b>Y</b>	Due to changes in City policies, law and HR processes, not all documents listed on the New Hire checklist are applicable to all departments. The New Hire checklist is being updated to provide accurate and more detailed information regarding required documentation. Additionally, the HR administrative staff responsible for Personnel files has begun reviewing the New Hire checklist and related documentation as of June 1, 2018 prior to placement in the employee personnel file.
	<b>TITLE OF RESPONSIBLE PERSON</b>		<b>TARGET DATE</b>
	Department of Human Resources Director		1/31/2019
	<b>IF IN PROGRESS, EXPLAIN ANY DELAYS</b>		<b>IF IMPLEMENTED, DETAILS OF IMPLEMENTATION</b>
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
12	We recommend that the Director of Human Resources implement an electronic scanning system for filing and monitoring completeness of documentation.	<b>Y</b>	Human Resources is in the process of implementing electronic submission and filing of HR documentation in a content management system. Phase One has been completed where HRIS processing documentation and forms are currently being submitted and stored electronically; phase two will be implemented starting in February 2019 where employee personnel files will start to be converted into an electronic format with indexed documents received by employees to ensure the completeness and accuracy of employee files.
	<b>TITLE OF RESPONSIBLE PERSON</b>		<b>TARGET DATE</b>
	Director of Human Resources		6/30/20
	<b>IF IN PROGRESS, EXPLAIN ANY DELAYS</b>		<b>IF IMPLEMENTED, DETAILS OF IMPLEMENTATION</b>

**APPENDIX A: MANAGEMENT RESPONSE FORM**

**2019-07 Citywide Payroll audit**

#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
13	We recommend that the Director of Human Resources revise the separation checklist to identify which tasks apply to specific employee (i.e. full time, seasonal), and separation types.	<b>Y</b>	Due to changes in staffing and policies, not all documents listed on the Termination checklist are applicable to all departments. The Termination checklist is being updated to provide accurate and more detailed information regarding required documentation. Additionally, the HR administrative staff responsible for Personnel files will begin reviewing the Termination checklist and related documentation as of February 1, 2019 prior to placement in the employee personnel file.
	<b>TITLE OF RESPONSIBLE PERSON</b>		<b>TARGET DATE</b>
	Director of Human Resources		2/1/2019
	<b>IF IN PROGRESS, EXPLAIN ANY DELAYS</b>		<b>IF IMPLEMENTED, DETAILS OF IMPLEMENTATION</b>
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
14	We recommend that the Director of Human Resources create a formalized electronic termination procedure that automatically notifies essential departments upon termination (e.g., HR, DIT, DPW, etc.)	<b>Y</b>	HR is working with DIT on the system workflow functionality in the HR module to properly notify and identify specific and separating employees for all divisions.
	<b>TITLE OF RESPONSIBLE PERSON</b>		<b>TARGET DATE</b>
	Director of Human Resources		6/30/19
	<b>IF IN PROGRESS, EXPLAIN ANY DELAYS</b>		<b>IF IMPLEMENTED, DETAILS OF IMPLEMENTATION</b>
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
15	We recommend that the Director of Human Resources create a report of recent separations to be periodically sent to the Chief of Security and Safety for review.	<b>Y</b>	HR will create and submit a monthly termination report to the Department of Public Works to ensure proper identification of terminated/separted employees are removed from the system in a timely manner.
	<b>TITLE OF RESPONSIBLE PERSON</b>		<b>TARGET DATE</b>
	Director of Human Resources		6/30/19
	<b>IF IN PROGRESS, EXPLAIN ANY DELAYS</b>		<b>IF IMPLEMENTED, DETAILS OF IMPLEMENTATION</b>