



CITY OF ATLANTA

City Auditor's Office
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Why We Did This Audit

Our 2015 timekeeping audit found potential problems with payroll, including manual corrections to payroll records. We last audited payroll in 2006. We conducted this audit to assess whether the planned Oracle upgrade will strengthen control weaknesses and to test transactions for accuracy and proper authorization.

What We Recommended

To improve payroll processing efficiency and controls, the chief financial officer should work with AIM and Deloitte to:

- automate manual payroll processes
- evaluate whether the Kronos to Oracle interface can prevent negative entries from creating positive Oracle entries
- configure Oracle's manager self-service portal to allow departments to complete standard off-cycle request forms and upload documentation

To ensure that payroll staff receives accurate and timely information, we recommend that the chief financial officer:

- draft legislation to limit retroactive payments to a maximum of 12 months and discontinue manual retroactive payments
- develop, formalize, and enforce policies and procedures for managing payroll

To improve payroll processing efficiency and controls, the commissioner of human resources and AIM should:

- ensure shift differentials are configured and automated within Kronos

To ensure that hours worked are recorded accurately, we recommend that the commissioner of human resources:

- provide training on moving time correctly in the timekeeping system
- enforce timekeeping policies that require employees to clock in/out
- calculate benefit overages paid by city employees and return premium overages

For more information regarding this report, please use the "contact" link on our website at www.atlaudit.org.

Performance Audit:

Payroll Processing

What We Found

Payroll staff relies on information from city departments to process payroll accurately. Because payroll's priority is ensuring that employees are paid on time, payroll staff allows departments to exceed timecard approval deadlines and cut corners on documentation. This decreases the amount of time available for payroll staff to process payroll, increases error risk, and creates an environment in which payroll staff makes concessions in quality to meet processing deadlines. We found 35% of off-cycle check requests and 33% of change sheets lacked sufficient justification. Unsupported requests could indicate error or impropriety.

The payroll process is also vulnerable to error because many processes are manual. Despite the risk, we identified relatively few errors. We identified two instances in which payroll processed retroactive pay without sufficient approval, resulting in overpayments. We found one error in shift differential calculations resulting in overpayment.

While retirement contributions to deferred compensation accounts and parking fees were deducted accurately, the city deducted incorrect amounts for 56% of insurance premiums from employees' September 2017 pay checks. Although the Department of Human Resources is aware of the overage and requested reimbursement from the third-party administrator, it did not ensure employees received refunds for overpaid premiums.

The planned Oracle upgrade will automate some manual payroll processes, which should strengthen controls, reduce risks, and shorten payroll processing times, while providing departments with more time for departments to submit timesheets. The upgrade also contains additional self-service options for employees, such as adjusting charitable contributions, uniforms, withholdings, and MARTA deductions. Finance and AIM will need to work with Deloitte to ensure that the Oracle upgrades are implemented as planned.

Management Responses to Audit Recommendations

Summary of Management Responses		
Recommendation #1:	We recommend the chief financial officer work with AIM and Deloitte to ensure that the planned Oracle upgrades are implemented to automate manual steps of the payroll process, as specified in Appendix C.	
Response & Proposed Action:	Payroll Manager and Director of Shared Service will continue working with AIM and Deloitte.	Agree
Timeframe:	November 2018	
Recommendation #2:	We recommend the chief financial officer work with AIM and Deloitte to evaluate whether the Kronos to Oracle interface can be revised to prevent negative Kronos entries from creating positive Oracle entries.	
Response & Proposed Action:	Payroll Manager and Director of Shared Service will continue working with AIM and Deloitte.	Agree
Timeframe:	November 2018	
Recommendation #3:	We recommend the chief financial officer work with AIM and Deloitte to configure Oracle's manager self-service portal to allow departments to complete standard off-cycle request forms and upload supporting documentation.	
Response & Proposed Action:	Payroll Manager will continue working with AIM and Deloitte.	Agree
Timeframe:	November 2018	
Recommendation #4:	We recommend the chief financial officer work with AIM and Deloitte to generate a list of performance measures that address risks that exist in the payroll process and work with Deloitte to ensure that data is captured in Oracle to track performance against the metrics.	
Response & Proposed Action:	Director of Shared Service and Controller will continue working with AIM and Deloitte.	Agree
Timeframe:	November 2018	
Recommendation #5:	We recommend the chief financial officer work with AIM and Deloitte to develop ad-hoc reports and training materials for payroll staff.	
Response & Proposed Action:	Payroll Manager will continue to work with AIM and Deloitte.	Agree
Timeframe:	November 2018	
Recommendation #6:	We recommend the chief financial officer work with AIM and Deloitte to test and confirm whether the city's interface run times within Oracle Cloud meet estimated expectations.	
Response & Proposed Action:	Payroll Manager will continue working with AIM and Deloitte.	Agree
Timeframe:	November 2018	
Recommendation #7:	We recommend the chief financial officer draft legislation for city council consideration to limit the time in which a payment can be retroactively approved to a maximum of 12 months, excluding payments related to litigation.	
Response & Proposed Action:	Director of Shared Service will continue working with CFO to get Legislation approval.	Agree
Timeframe:	November 2018	

Recommendation #8:	We recommend the chief financial officer draft legislation for city council consideration to discontinue processing manual retroactive payments.	
Response & Proposed Action:	Director of Shared Service will continue working with CFO to get Legislation approval.	Agree
Timeframe:	November 2018	
Recommendation #9:	We recommend the chief financial officer discontinue issuing off-cycle checks to employees without required documentation.	
Response & Proposed Action:	Director of Shared Service will continue working with Timekeeper and Managers in remote locations.	Agree
Timeframe:	November 2018	
Recommendation #10:	We recommend the chief financial officer develop, formalize, and enforce policies and procedures for managing payroll, including firm deadlines for departments to submit timecards and standardized forms with required authorizations.	
Response & Proposed Action:	Director of Shared Service will continue working with COA HR.	Agree
Timeframe:	November 2018	
Recommendation #11:	We recommend the commissioner of human resources and AIM ensure shift differentials are accurately configured and automated for applicable departments within the upgraded Kronos system.	
Response & Proposed Action:	The department of human resources will work with AIM to determine the correct way to configure and automate shift differential in KRONOS.	Agree
Timeframe:	October 2018	
Recommendation #12:	We recommend the commissioner of human resources provide timekeepers and managers additional training on moving time correctly in the timekeeping system.	
Response & Proposed Action:	The department of human resources will work with the KRONOS team and AIM to develop and implement training for timekeepers and managers that will ensure accuracy in the timekeeping process.	Agree
Timeframe:	October 2018	
Recommendation #13:	We recommend the commissioner of human resources calculate benefit overages paid by city employees during the 2016 and 2017 enrollment years and work with the Department of Finance to return premium overcharges to the affected employees.	
Response & Proposed Action:	The department of human resources will work with the department of finance and all other stakeholders to ensure employees are credited for any premium overages. In addition, the department will develop a process to ensure overages are not deducted.	Agree
Timeframe:	July 2018	
Recommendation #14:	We recommend the commissioner of human resources enforce city timekeeping policies that require employees to clock in and out each day of the pay period.	
Response & Proposed Action:	The department of human resources will work with AIM to ensure that automated timekeeping methods are accessible to employees. In addition, employees will be provided the timekeeping policy and held accountable to following said procedures.	Agree
Timeframe:	September 2018	