



# City of Bowling Green

## Internal Auditor's Office

BGFD Payroll Follow-up Audit

Project# 2013-05

Issue Date: 04/03/13

Finalized: 04/08/13

Deborah Jenkins, CFE, CICA

## Transmittal Letter

TO: Kevin D. DeFebbo, City Manager, Ex-officio Member  
David McKillip, Audit Committee Chair  
Cristi Pruitt, Audit Committee Vice-Chair  
Scott Gary, Audit Committee Member  
Tony Witty, Audit Committee Member  
Joe Denning, Commissioner and Audit Committee Member

CC: Fire Chief Greg Johnson  
Michael Grubbs, Human Resources Director

FROM: Deborah Jenkins, Internal Auditor

Pursuant to the *Charter of the Internal Auditor's Office*, I hereby submit the follow-up report covering BGF D Payroll. The objective of this follow-up report was to determine if BGF D and related staff implemented the five (5) recommendations made in an earlier report, *BGF D Payroll Audit* (Project# 2010-16, finalized on April 5, 2011). The results of the *BGF D Payroll Follow-up Audit* have been discussed with management.

### Results in Brief

Two of the five recommendations have been fully implemented with the assistance of the Human Resource Department and one recommendation is considered partially implemented; however, two recommendations have not implemented which raises concern because it directly relates to the accountability of the Fire Department's actual time and leave reporting methods.

Sincerely,

Deborah Jenkins, CFE, CICA  
Internal Auditor

**Objective**

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**Scope and Methodology**

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- Reviewed the original audit report
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**Conclusion**

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**Previous Observation and Recommendation:**

- 1. Two administrative staff members currently work a 10 hr. shift; however, the payroll system reflects that they work an 8 hr. shift. The system needs to correctly reflect the 10 hr. shift in both time worked and leave taken or they should return to a normal 8 hr. working day.**

**Prior Auditor Recommendation**

*Any employee working an approved alternative work schedule should have documented approval from their supervisor and should notify central payroll so the correct working hours and days are dumped into the system when each payroll batch is initialized. All hours worked and leave taken including all hour codes (personal, sick, vacation, holiday, appreciation, etc.) should reflect the correct alternative schedule and hours.*

*The alternative is to convert the two administrative employees back to a traditional eight hour work day.*

**Prior Fire Department Management Response**

*At present, all 40 hour fire employees are working a five day week, eight hours per day. Fire management recognizes the benefit to both the individual and the organization to allow flexible hours of work under certain circumstances. In the future, if flexible hours are approved, the Audit recommendation will be followed.*

**Current Status: IMPLEMENTED**

All administrative staff members are working an 8 hour per day/5 day a week work week per the Fire Chief. Due to the Cities current exception based payroll system, adequate testing could not be performed so reliance had to be made on the Chief's assertions as well as interviews with Fire staff.

- 2. BGF D should implement a system of reporting leave time and overtime that is accountable and ensures all leave taken and overtime earned by employees is properly approved and timely entered in the payroll system.**

**Prior Auditor Recommendation**

*All personnel within BGF D have access to the HR Portal and can review their leave balances to ensure that Personal, Appreciation and Holiday hours are taken during the calendar year. There should be a time limit placed Citywide on prior period adjustments to prevent leave manipulation and to encourage personal responsibility of time usage by employees. Leave forms for 40 hour employees should be completed by the employee requesting leave and must be signed*

*by the supervisor approving the leave prior to it being submitted for entry into the payroll system. Supervisors should reconcile submitted leave forms to their own records to ensure that all forms have been received from staff. Suppression records should be reconciled to administrative records on a timelier basis. The current method of semi-annual review is not sufficient to maintain correct payroll entry.*

*BGFD should create a standardized method for documenting and approving any overtime above the normal work schedule. Independent review of payroll entry should be implemented to diminish keying errors from the voluminous entry associated with the department.*

**Prior Fire Department Management Response**

*BGFD will be trained on reviewing leave balances on the HR portal. We will await the proposed city wide limit on prior period adjustment allowances. All personnel have started using the proper leave and overtime approval forms and supervisors have been instructed to reconcile records. We encourage an independent review of the voluminous payroll entry.*

**Prior Human Resource Management Response**

*One of the audit recommendations was that a time limit should be placed city-wide on prior period adjustments to prevent leave manipulation and to encourage personal responsibility for time usage by employees.*

*Response: Logos does not appear to provide an option to put a time limit on prior period adjustments. Either they are allowed or they are not. There are legitimate reasons for allowing adjustments for a reasonable time period thus eliminating prior period adjustments is not practical. If a time limit is established, it will have to be monitored manually. A suggestion would be to allow prior period adjustments for three months and any adjustment after that would require department head approval.*

**Current Status: NOT IMPLEMENTED**

Leave forms were not consistently submitted by the employee and approved by the supervisor in a timely manner, especially for non-suppression employees. Overtime was still periodically being accepted via e-mail directly from the employee to the payroll entry clerk with no documented approval by the supervisor. Independent review within the department was not being conducted with each payroll batch. Errors were found in the sample of 10 pay periods reviewed which will require corrections to be made. The number of prior period adjustments had increased since the original audit.

Suppression managers were reconciling every three to four months according to administrative staff members; however a consistent process had not been implemented. There was no system established by non-suppression managers to reconcile their employee's leave and overtime to payroll to verify all forms are submitted and approved.

Human Resources did suggest a three month timeframe to allow prior period adjustments, but no standard policy or procedure had been created to change this within the City. Lengthy prior period adjustments were found including an adjustment 259 days after original work date to

convert leave time from vacation time to a leave which would be lost at the end of the calendar year if not used.

- 3. Emergency leave needs to be reviewed by management to confirm the validity of such departmental leave. If the City wishes to continue this department specific leave, then it should be properly defined, and approved reasons should be established. This leave should also be entered into the payroll system and tracked to ensure that it is limited per the BGFDD policy.**

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*Human Resources should periodically review departmental policy manuals to ensure that there are no employee benefits that are not reflected within the Citywide Administrative Personnel Policy and Procedures Manual.*

**Prior Fire Department Management Response**

*The Fire Department leave policy will be revised to allow for the use of accrued leave time on an emergency basis not to exceed two times a year. Emergency use of personal or sick leave time will require approval from the on duty Shift Commander and documentation of that approval will be maintained in the applicable payroll records.*

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*Response: It is highly unlikely that this type of leave would be extended to other City departments, and therefore not allowed for only one department. If the issue is making certain Fire shift personnel have some leave time to use for emergency situations, the department should hold back one personal day for employees to be able to use for “emergency leave” a few hours at a time as needed. The proposed revision to the personnel manual will give shift personnel the option to cash in personal days at the beginning and end of the calendar year, so employees could then get paid for any unused hours.*

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approved by the Board of Commissioners. The Fire Department Policy Manual was originally approved on December 20, 1983 and two revisions had been made to the policy in February 2001 and December 2004. There has not been a revision approved by the Board of Commissioners since 2004.

The Human Resources Department had not reviewed any departmental policies since the audit.

#### **4. Human Resources should update the Administrative Personnel Policy and Procedures Manual to reflect the Firefighter II special certification pay.**

##### **Prior Auditor Recommendation**

*Human Resources should maintain a listing of approved changes that affect the Administrative Personnel Policy and Procedures Manual to ensure that periodic updates to that manual contain all amendments.*

*There is a draft revision that is being reviewed by Senior Management that does include language pertaining to the Firefighter II/EMT certification; however, a method should be developed to ensure that future changes are timely reflected in the manual and not omitted.*

##### **Prior Fire Department Management Response**

*Fire Management will work with Human Resources to ensure that the FF II/EMT program is more closely monitored for implementation by fire employees. Our Policy and Procedure manual is in the process of revision and will include language to provide guidance for these programs.*

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##### **Current Status: IMPLEMENTED**

The Administrative Personnel Policy and Procedures Manual update was approved effective November 1, 2011. The updated policy does include the Firefighter II program.

The HR Director maintains a listing of changes within his official copy of the current manual to ensure all updates will be included in future revisions.

**5. BGF D should consider the use of time keeping software to manage the annual leave bid process, call back procedures, and other payroll related processes.**

**Prior Auditor Recommendation**

*BGF D Management should work with the Information Technology Department and consider the use of time keeping software to manage the annual leave bid process, call back procedures and other payroll related processes. Employees within the department should take ownership of their own leave time and not depend on two administrative staff members to track all employees' hours.*

*Suppression staff should know prior to the annual leave bids how many days they have available by utilizing the HR Portal. The HR Portal only lists the total accrued time, but suppression staff needs to see their time in more specific breakdowns. Suppression staff bid for annual leave which was earned in the prior year, so they need to see their leave as three separate categories to meet the bidding standards:*

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approved by the Board of Commissioners. The Fire Department Policy Manual was originally approved on December 20, 1983 and two revisions had been made to the policy in February 2001 and December 2004. There has not been a revision approved by the Board of Commissioners since 2004.

The Human Resources Department had not reviewed any departmental policies since the audit.

#### **4. Human Resources should update the Administrative Personnel Policy and Procedures Manual to reflect the Firefighter II special certification pay.**

##### **Prior Auditor Recommendation**

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*There is a draft revision that is being reviewed by Senior Management that does include language pertaining to the Firefighter II/EMT certification; however, a method should be developed to ensure that future changes are timely reflected in the manual and not omitted.*

##### **Prior Fire Department Management Response**

*Fire Management will work with Human Resources to ensure that the FF II/EMT program is more closely monitored for implementation by fire employees. Our Policy and Procedure manual is in the process of revision and will include language to provide guidance for these programs.*

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##### **Current Status: IMPLEMENTED**

The Administrative Personnel Policy and Procedures Manual update was approved effective November 1, 2011. The updated policy does include the Firefighter II program.

The HR Director maintains a listing of changes within his official copy of the current manual to ensure all updates will be included in future revisions.

**5. BGF D should consider the use of time keeping software to manage the annual leave bid process, call back procedures, and other payroll related processes.**

**Prior Auditor Recommendation**

*BGF D Management should work with the Information Technology Department and consider the use of time keeping software to manage the annual leave bid process, call back procedures and other payroll related processes. Employees within the department should take ownership of their own leave time and not depend on two administrative staff members to track all employees' hours.*

*Suppression staff should know prior to the annual leave bids how many days they have available by utilizing the HR Portal. The HR Portal only lists the total accrued time, but suppression staff needs to see their time in more specific breakdowns. Suppression staff bid for annual leave which was earned in the prior year, so they need to see their leave as three separate categories to meet the bidding standards:*

- 1. Leave that has rolled over from a prior year*
- 2. Leave available to use from the current year and*
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*We will work with IT to determine what cost saving program is available to manage leave time scheduling and actual leave time taken. As referenced in #2, department personnel will be asked to transition into keeping up with their own leave time based on information available through the HR portal.*

**Current Status: PARTIALLY IMPLEMENTED**

The Fire Department had researched, issued and received RFP's for new fire operation software which included an optional module for timekeeping. The City is currently working with an Employee Process Action Team (PAT) to implement a citywide system to manage and account for employee time and attendance that would integrate with our financial software. A system should be chosen and implemented within this calendar year.



# City of Bowling Green

## Internal Auditor's Office

BGFD Payroll Follow-up Audit

Project# 2013-05

Issue Date: 04/03/13

Finalized: 04/08/13

Deborah Jenkins, CFE, CICA

## Transmittal Letter

TO: Kevin D. DeFebbo, City Manager, Ex-officio Member  
David McKillip, Audit Committee Chair  
Cristi Pruitt, Audit Committee Vice-Chair  
Scott Gary, Audit Committee Member  
Tony Witty, Audit Committee Member  
Joe Denning, Commissioner and Audit Committee Member

CC: Fire Chief Greg Johnson  
Michael Grubbs, Human Resources Director

FROM: Deborah Jenkins, Internal Auditor

Pursuant to the *Charter of the Internal Auditor's Office*, I hereby submit the follow-up report covering BGF D Payroll. The objective of this follow-up report was to determine if BGF D and related staff implemented the five (5) recommendations made in an earlier report, *BGF D Payroll Audit* (Project# 2010-16, finalized on April 5, 2011). The results of the *BGF D Payroll Follow-up Audit* have been discussed with management.

### Results in Brief

Two of the five recommendations have been fully implemented with the assistance of the Human Resource Department and one recommendation is considered partially implemented; however, two recommendations have not implemented which raises concern because it directly relates to the accountability of the Fire Department's actual time and leave reporting methods.

Sincerely,

Deborah Jenkins, CFE, CICA  
Internal Auditor

**Objective**

The objective of the BGFD Payroll Audit follow-up was to determine if management implemented the five (5) recommendations made in an earlier report, *Bowling Green Fire Department Payroll Audit* (Project# 2010-16, finalized on April 5, 2011).

**Scope and Methodology**

The scope of this follow-up audit included BGFD Payroll transactions from January 1, 2012 through December 31, 2012. To determine the implementation status of prior recommendations, I performed the following:

- Interviewed BGFD, Human Resources and Finance Department Personnel
- Reviewed the original audit report
- Performed test work to determine compliance with various recommendations
- Imported Calendar Year 2012 payroll data into IDEA Analytical Software for analysis
- Analyzed the results of the test work performed and discussed results with management

**Conclusion**

Two of the five recommendations have been fully implemented with the assistance of the Human Resources Department and one recommendation is considered partially implemented; however, two recommendations have not implemented which raises concern because it directly relates to the accountability of the Fire Department's actual time and leave reporting methods.

**Previous Observation and Recommendation:**

- 1. Two administrative staff members currently work a 10 hr. shift; however, the payroll system reflects that they work an 8 hr. shift. The system needs to correctly reflect the 10 hr. shift in both time worked and leave taken or they should return to a normal 8 hr. working day.**

**Prior Auditor Recommendation**

*Any employee working an approved alternative work schedule should have documented approval from their supervisor and should notify central payroll so the correct working hours and days are dumped into the system when each payroll batch is initialized. All hours worked and leave taken including all hour codes (personal, sick, vacation, holiday, appreciation, etc.) should reflect the correct alternative schedule and hours.*

*The alternative is to convert the two administrative employees back to a traditional eight hour work day.*

**Prior Fire Department Management Response**

*At present, all 40 hour fire employees are working a five day week, eight hours per day. Fire management recognizes the benefit to both the individual and the organization to allow flexible hours of work under certain circumstances. In the future, if flexible hours are approved, the Audit recommendation will be followed.*

**Current Status: IMPLEMENTED**

All administrative staff members are working an 8 hour per day/5 day a week work week per the Fire Chief. Due to the Cities current exception based payroll system, adequate testing could not be performed so reliance had to be made on the Chief's assertions as well as interviews with Fire staff.

- 2. BGFDD should implement a system of reporting leave time and overtime that is accountable and ensures all leave taken and overtime earned by employees is properly approved and timely entered in the payroll system.**

**Prior Auditor Recommendation**

*All personnel within BGFDD have access to the HR Portal and can review their leave balances to ensure that Personal, Appreciation and Holiday hours are taken during the calendar year. There should be a time limit placed Citywide on prior period adjustments to prevent leave manipulation and to encourage personal responsibility of time usage by employees. Leave forms for 40 hour employees should be completed by the employee requesting leave and must be signed*

*by the supervisor approving the leave prior to it being submitted for entry into the payroll system. Supervisors should reconcile submitted leave forms to their own records to ensure that all forms have been received from staff. Suppression records should be reconciled to administrative records on a timelier basis. The current method of semi-annual review is not sufficient to maintain correct payroll entry.*

*BGFD should create a standardized method for documenting and approving any overtime above the normal work schedule. Independent review of payroll entry should be implemented to diminish keying errors from the voluminous entry associated with the department.*

**Prior Fire Department Management Response**

*BGFD will be trained on reviewing leave balances on the HR portal. We will await the proposed city wide limit on prior period adjustment allowances. All personnel have started using the proper leave and overtime approval forms and supervisors have been instructed to reconcile records. We encourage an independent review of the voluminous payroll entry.*

**Prior Human Resource Management Response**

*One of the audit recommendations was that a time limit should be placed city-wide on prior period adjustments to prevent leave manipulation and to encourage personal responsibility for time usage by employees.*

*Response: Logos does not appear to provide an option to put a time limit on prior period adjustments. Either they are allowed or they are not. There are legitimate reasons for allowing adjustments for a reasonable time period thus eliminating prior period adjustments is not practical. If a time limit is established, it will have to be monitored manually. A suggestion would be to allow prior period adjustments for three months and any adjustment after that would require department head approval.*

**Current Status: NOT IMPLEMENTED**

Leave forms were not consistently submitted by the employee and approved by the supervisor in a timely manner, especially for non-suppression employees. Overtime was still periodically being accepted via e-mail directly from the employee to the payroll entry clerk with no documented approval by the supervisor. Independent review within the department was not being conducted with each payroll batch. Errors were found in the sample of 10 pay periods reviewed which will require corrections to be made. The number of prior period adjustments had increased since the original audit.

Suppression managers were reconciling every three to four months according to administrative staff members; however a consistent process had not been implemented. There was no system established by non-suppression managers to reconcile their employee's leave and overtime to payroll to verify all forms are submitted and approved.

Human Resources did suggest a three month timeframe to allow prior period adjustments, but no standard policy or procedure had been created to change this within the City. Lengthy prior period adjustments were found including an adjustment 259 days after original work date to

convert leave time from vacation time to a leave which would be lost at the end of the calendar year if not used.

- 3. Emergency leave needs to be reviewed by management to confirm the validity of such departmental leave. If the City wishes to continue this department specific leave, then it should be properly defined, and approved reasons should be established. This leave should also be entered into the payroll system and tracked to ensure that it is limited per the BGFDD policy.**

**Prior Auditor Recommendation**

*Emergency leave should be reviewed to confirm whether or not the City wishes to continue this departmental specific leave. If the emergency leave is validated, then it should be clearly defined including approved reasons for use and entered into the software system. Once the emergency leave is entered into the system, it can be tracked by BGFDD management to ensure it is taken within the approved parameters.*

*Human Resources should periodically review departmental policy manuals to ensure that there are no employee benefits that are not reflected within the Citywide Administrative Personnel Policy and Procedures Manual.*

**Prior Fire Department Management Response**

*The Fire Department leave policy will be revised to allow for the use of accrued leave time on an emergency basis not to exceed two times a year. Emergency use of personal or sick leave time will require approval from the on duty Shift Commander and documentation of that approval will be maintained in the applicable payroll records.*

**Prior Human Resources Management Response**

*One of the audit recommendations is that management should review and confirm whether emergency leave will be continued for the Fire Department.*

*Response: It is highly unlikely that this type of leave would be extended to other City departments, and therefore not allowed for only one department. If the issue is making certain Fire shift personnel have some leave time to use for emergency situations, the department should hold back one personal day for employees to be able to use for “emergency leave” a few hours at a time as needed. The proposed revision to the personnel manual will give shift personnel the option to cash in personal days at the beginning and end of the calendar year, so employees could then get paid for any unused hours.*

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