



Comprehensive Payroll Update

City Council Work Session
Tuesday, August 10, 2021

Agenda

- Payroll Process Roles & Responsibilities
- Payroll Challenges
- Recovery of Inaccurate Pay Policies
- Local 440 Payroll Related Concerns
- Payroll Task Force Work Efforts
- Outstanding Fire Payroll Errors
- Next Steps
- Q & A

Payroll Process Roles & Responsibilities

Payroll Process Roles & Responsibilities


Role	FMS	HR	ITS	Dept Heads	Examples
Payroll Process Lead	A				Coordinate Task Force meetings Provide strategic leadership
Payroll Business Execution	A				Execution of system payroll processes, deductions, tax reporting, etc
Employee Records Lead		A			Employee records management
Benefits Administration		A			Management of benefits deductions
Payroll Coordination		A			Process Payroll corrections, time entry, and approval

Payroll Process Roles & Responsibilities (cont.)








Role	FMS	HR	ITS	Dept Heads	Examples
Payroll System Management			A		System configuration, maintenance, and enhancement
Payroll process support			A		Technology issue support and resolution
Payroll Batch Execution			A		Execute and Maintain batch processing
Department Process Lead				A	Oversight - employee time entry and approval Resolve time entry process exceptions Management of terminations, changes, and payroll corrections
Department Payroll Coordinator				A	Department Go-To for questions/concerns Oversight of department level payroll activities including exception reports to validate pay.

Payroll Challenges


Payroll Challenges

 On-going





 Resolved

Challenge	Status
<p>PeopleSoft was implemented in 2010, and partially re-implemented in 2011. Pay related issues were encountered every year afterward.</p>	
<p>System was not implemented with then-current best practices.</p> <ul style="list-style-type: none"> • Exception Based Time Reporting • Business process re-engineering guiding system implementation • Removing recurring manual processes 	
<p>Business and system integration of subsequent Collective Bargaining and Meet and Confer Agreements were poorly programmed and executed.</p>	
<p>Over the years, the number of pay types, pay nuances and rates have grown as agreements mature and laws change.</p>	
<p>Recurrent over/under payroll payments spanning multiple prior years.</p>	
<p>System changes implemented over time led to increased business complexity and processing time required to generate bi-weekly payrolls.</p>	
<p>Lack of standardized processes and rules across City departments.</p> <ul style="list-style-type: none"> • Timesheet approval deadline, roles responsible for reported time review and approvals, etc. 	

Payroll Challenges (cont.)

 On-going

 Resolved

Challenge	Status
<p>Accountability for payroll is managed at the City department level. Employees assigned to department payroll tasks often experience frequent turnover with minimal operational documentation.</p>	
<p>Lack of validating post-payroll to ensure accuracy of pay.</p>	
<p>Pay Date Adjustments</p> <ul style="list-style-type: none"> Strategically review the ability to alter the pay date schedules to allow additional flexibility and accuracy 	
<p>Reported concerns - Early Time Reporting contributes to the incorrect pay</p> <ul style="list-style-type: none"> Mitigated by the reconciliation/validation processes executed before payroll execution starts. Employees entering time early (on a Thursday) is validated and rectified (if required) by the Monday process. While currently mitigated, CFW should strategically review the reason/need driving the behavior. 	

Recovery of Inaccurate Pay Policies

Personnel Rules and Regulations (PRR)

- PRR 2.9.2 (Recovery of Inaccurate Pay or Benefits) - employees are expected to repay upon notification of an overpayment error.
 - Generally, employees are given the same amount of time to repay, e.g., an overpayment for 3 pay periods is then given 3 pay periods to repay. Timelines are general unless otherwise provided by agreement.
 - Attempts will be made to establish an agreed method to recover overpayments. Failure to agree on a method may result in appropriate action initiated by the City to correct the issue, such as payroll deductions or reductions in pay rate.
- The repayment agreement indicates how the overpayment is to be repaid:
 - Direct repayment – check written to the City
 - Payment plan – multiple payroll deductions
 - Payroll withholding – one-time payroll deduction
 - Separate agreement – coordinated by the Department, FMS, and Law
- Repayments are not to cross calendar years unless there is a waiver to the PRR provision approved by the Human Resources Department Director.

Procedures for Handling Overpayments/Underpayments

- Minor overpayments are typically caused by incorrect or missed time reporting and late approvals. Major issues are caused by system errors that have accumulated over time and are rare.
- Underpayments are typically due to incorrect or missed time reporting or late approvals, and generally, employees are made whole within 1 – 6 business days.
- Action is taken immediately to prevent future issues.
- For large-scale issues, and administrative efficiencies, notification letters are sent to impacted employees in lieu of Payroll Correction Forms and repayment agreements.
- The City seeks reimbursement on all overpayments.
 - The City Law Department has advised that the City cannot “gift public funds” and therefore must collect on overpayments from all City employees.

Local 440 Payroll Related Concerns

Local 440 Payroll Related Concerns

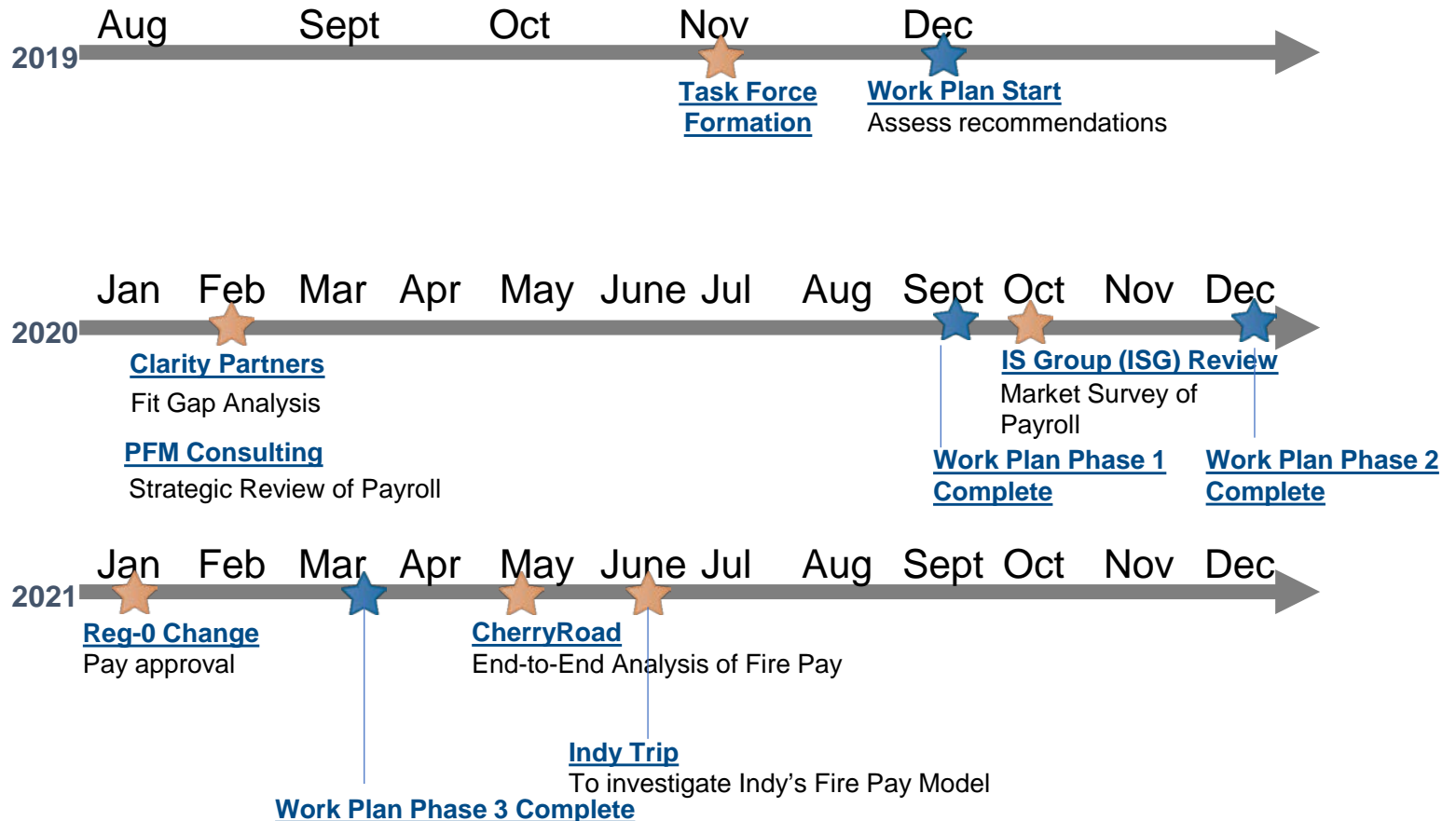
- 01/20/21 – Payroll grievance filed by Local 440
 - Chief Davis responded on February 10, 2021
- Request: Coordinate with the 14 affected members who experienced an error regarding Worker's Comp payments. Request was to reimburse employees for any deductions made as charges for handling these deductions such as for their child/spousal support.
- Response: Fire Department Administration shall compile a comprehensive list of all amounts (with justification) to be reimbursed, along with the affected employees, submitted to the City Treasurer by the Fire Chief.
- Status: The fourteen affected members were provided the appropriate pay within 2 business days. Out of pocket expenses will be reimbursed when detail is provided to FMS.

Local 440 Payroll Related Concerns (cont.)

- 05/03/21 – City Attorney received notice from a law firm representing Local 440
 - This letter reiterated the concerns of the local union and to urge the City not to pursue repayment of past payroll errors.
 - City Attorney responded on May 28th, 2021.
- Ø Request: Initiate exploring options for a new payroll vendor for the entire city's workforce or the fire department independently. Included with a new system should be a requirement that a member's paycheck shall be clearly understandable by a layperson.
- Ø Response: A Payroll Task Force (PTF) was created in 2019 consisting of two Assistant City Managers and key staff from the city departments of Finance, Human Resources, and IT Solutions to explore possible solutions. The recommendation will include specific business process changes that will be designed to simplify public safety pay checks.
- Status: On-going – Local 440 involved in trip to Indianapolis and engaged with the City. The Taskforce's comprehensive recommendation will be presented to the city manager's office before the end of the calendar year as the task force completes its work.

Payroll Task Force Work Efforts

Payroll Task Force Work Efforts - Timeline



Fire Pay Model Under Consideration

- Surveyed other city's approach to firefighter payroll.
- Site visit to Indianapolis.
- Solution involves changes to payroll systems, processes, and policies.
- Project details finalized by end of year.

Outstanding Fire Payroll Errors

Summary of Fire Pay Errors

Pay Type Error	Active Employees Impacted	Estimated Amount	Verified
Holiday Overtime Longevity	552	\$ 70k	Completed
Acting Pay	Unknown	\$ Unknown	Waived
CBA Programming	568	\$ 110k	Pending
Incentive Pay	55	\$ 42k	Pending

As of 9-Aug-2021

Fire Pay Errors (cont.)

- Holiday Overtime Longevity pay to fire fighters was identified in 2019 as the result of an audit inquiry. 552 firefighters (active) were impacted.
 - As part of the 2014 CBA, Holiday Overtime Longevity Pay was eliminated and incorporated into base pay and disabled, but inadvertently re-enabled in 2015.
- FMS Payroll pulled the data on the overpayments and ERP validated the calculations. From late 2019 until Spring 2021, Fire Department Administration reviewed and confirmed the amounts owed.
- Fire Admin drafted a letter to the affected firefighters, in consultation with the Law department. Fire distributed the letter to the fire fighters, with a deadline to respond.
- FMS Payroll began payroll deductions on the July 9, 2021 paycheck as discussed in the letter.
- To date, a total of 63% (~\$44k) has been repaid.
- Reimbursement deductions from pay (for Holiday Overtime Longevity) have been temporarily stopped effective on the August 6th pay date.

Fire Pay Errors (cont.)

- Other Fire payroll issues:
 - Acting pay programming errors going back several fiscal years – The Payroll Task Force made an administrative decision not to seek repayment for these errors, supported by the Assistant City Managers on the taskforce.
 - There was no standardized rule for how acting pay should be calculated, which resulted in overpayments and underpayments going back to 2014. Due to the complexity of this problem, and the level of research required to identify all acting pay occurrences over the last 7 years, it was decided the Task Force to forego pursuing this particular payroll error.
 - Collective Bargaining Agreement implementation – errors with the implementation of the July 1, 2019 CBA regarding Constant Staffing/Constant Staffing Overtime, and Acting Pay, resulting in a net overpayment of ~\$110k. 568 (estimated) firefighters (active) were impacted. Fire Department Administration is working to validate the actual dollar amount.
 - Incentive pay – a human error in loading annual incentive pays resulted in estimated overpayments of ~\$42k of additional incentive pay over several months. 55 firefighters (active and non-active) were impacted. Fire Department Administration has validated fifty employees. The remaining five employees will be validated this week.
- There will be a meeting between the City Manager, Fire Chief, Local 440 President and staff to determine next steps on firefighter repayments.

Next Steps

Next Steps

- The Taskforce's comprehensive recommendation, which may include replacement of the City's existing payroll and time systems or to outsource payroll processing, will be presented to the city manager's office before the end of the calendar year as the task force completes its work.
 - An emphasis on solving Fire payroll challenges is the top priority followed by Police payroll challenges .
 - The final recommendation will include a solution that is scalable to the entire organization.
 - Extensive city-wide business process changes will most definitely be required. This will result in significant investment in organization change management and cooperation from all City departments.
- The FMS, HR, and Fire Department each submitted decision packages for consideration with the FY22 budget to add additional resources dedicated to the payroll process.
- In the meantime, payroll staff from FMS, HR, IT Solutions, and Fire Department Administration will continue to work diligently to minimize payroll issues and will work with impacted employees.

Questions

