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**Payroll Adjustments and  
Corrections Audit**

May 27, 2022



**City of Fort Worth  
Department of Internal Audit**

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Fort Worth, Texas 76102

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**The Payroll Adjustments and Corrections Audit was conducted as part of the Department of Internal Audit's Fiscal Year 2021 Annual Audit Plan.**

### **Audit Objectives**

The objectives of this audit were to determine whether:

- payroll adjustments and corrections were supported and in compliance with City policy; and,
- payroll adjustments and corrections were timely.

### **Audit Scope**

Our audit included a review for the period January 1, 2020 through June 30, 2021.

### **Opportunities for Improvement**

- Management authorization of adjustments and corrections
- Provide correction reports to management

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## **Executive Summary**

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As part of the Fiscal Year 2021 Annual Audit Plan, the Department of Internal Audit conducted the Payroll Adjustments and Corrections Audit. Payroll adjustments and corrections are used to ensure that City of Fort Worth employee compensation, leave, and benefits are accurate.

The City has designated timelines and documentation requirements for when employees, timekeepers and managers can make corrections. The Human Resources Time and Labor group (TLAB) in conjunction with Financial Management Services (FMS) Treasury Division process the correction requests.

The payroll adjustments and corrections tested were supported and complied with City policy with minor exceptions. The majority of corrections were completed within the two business day goal set by the Human Resources Department.

Internal Audit noted that managers/supervisors are required to approve time entered by employees. However, we noted that time and absence corrections made within 28 days of an original time entry did not require a supervisor's approval. The lack of supervisory approval is a control weakness that could result errors in reported time and/or incorrect amounts paid to employees. It should be noted that corrections or adjustments made more than 28 days from the error require a supervisor's approval.

Internal Audit found that there was no report available listing corrections and adjustments for department management review. A report listing all corrections would provide a way for management to review corrections and allow the identification of error trends, employee time entry errors and other problems that require management consideration.

Our audit findings are discussed in further detail within the [Detailed Audit Findings](#) section of this report.

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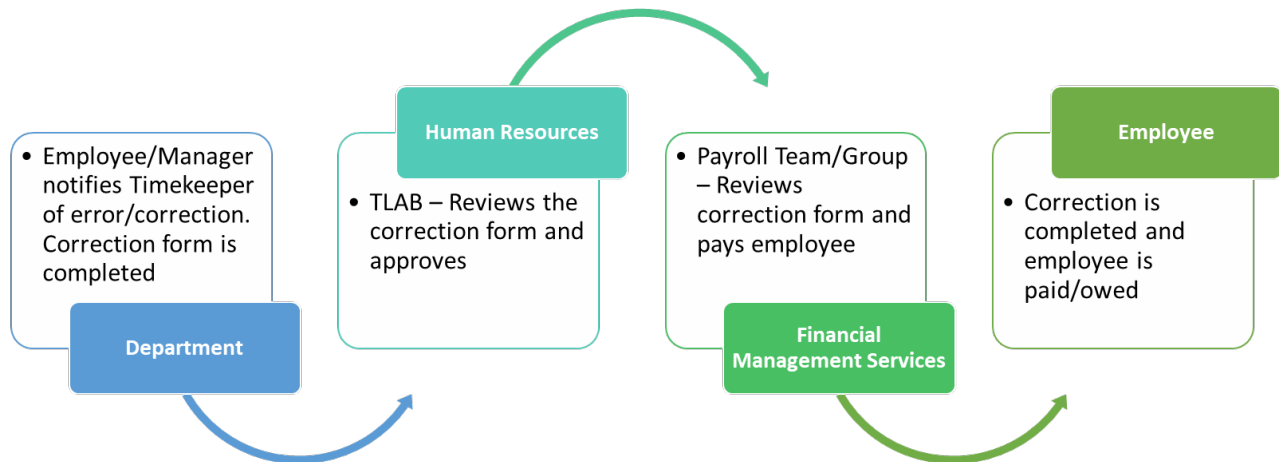
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## Background

Payroll adjustments and corrections are required when errors related to compensation, leave or benefits occur. The Human Resources, Time and Labor (TLAB) group and Financial Management Services (FMS) Treasury Division work with departments and employees to process payroll corrections. Through advisories and directives, the City has developed procedures for correcting pay or adjusting leave and other balances within PeopleSoft, the City’s Human Resources/Payroll processing system.

- Department personnel designated as “Timekeepers” have access to correct timesheets in PeopleSoft for all hours worked and leave hours when corrections are made within 28 days of the date with which the error is associated.
  - Corrections to pay and leave balances for errors that occurred within the previous 28 days require the submission of a “T&L Summary Correction” report spreadsheet to the TLAB group.
- Corrections for pay and leave more than 28 days after the error require the submission of a correction form to the TLAB group that includes the reason for the correction and supporting electronic documentation.
  - Correction form records are maintained in Laserfiche storage and spreadsheets.
- Payroll is processed outside the regular schedule (off-cycle processing) when required. For example, an off-cycle payment will be made to ensure that employees receive at least 80 hours of pay for a pay period.

### Correction Process



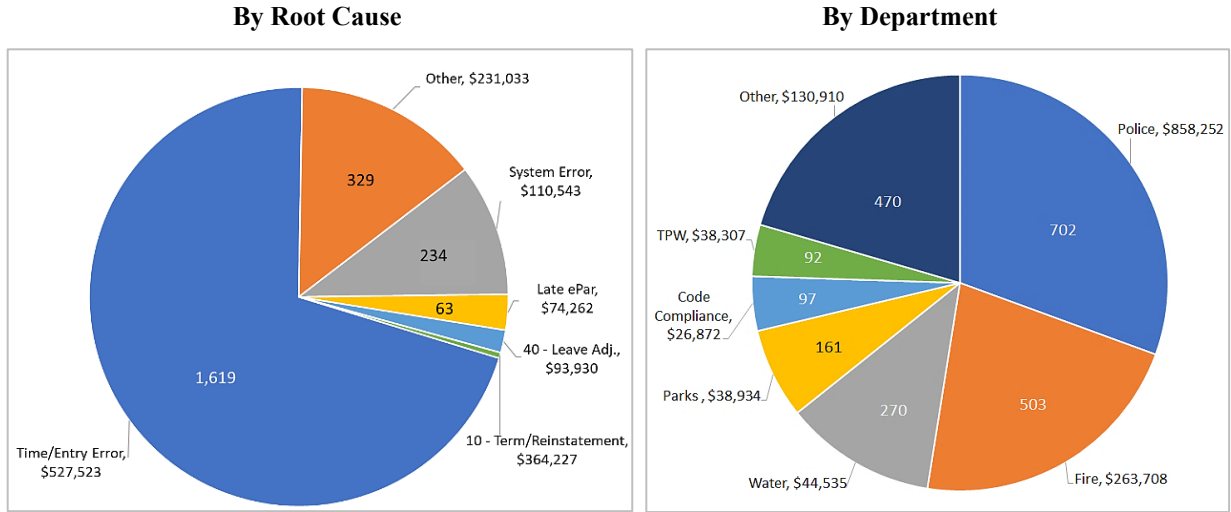
Source: Auditor generated



For our scope period (1/1/2020 to 6/30/2021), there were 2,295 corrections processed by FMS outside the 28-day window totaling approximately \$1.40 million. The graphs below represent corrections and adjustments by root cause and department.

### Payroll Corrections Processed after 28 days

#### Count and Dollar Total of Corrections



Source: Auditor generated using FMS correction logs



## Objectives

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The objectives of this audit were to determine whether:

- payroll adjustments and corrections were supported and in compliance with City policy; and,
- payroll adjustments and corrections were timely.

## Scope

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Our audit included a review for the period of January 1, 2020 through June 30, 2021.

## Methodology

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To achieve the audit objectives, the Department of Internal Audit performed the following:

- interviewed HR Department Time and Labor (TLAB), FMS Department and departmental timekeeping personnel;
- reviewed Personnel Rules and Regulations, labor contracts, and other policy documents;
- sampled and reviewed supporting documentation/calculations for Laserfiche correction form data;
- reviewed manual corrections performed by FMS from January 1, 2020 through June 30, 2021;
- recalculated payroll adjustments and correction calculations for accuracy;
- reviewed payroll correction transactions and balances to verify the propriety and compliance with Fair Labor Standards Act (FLSA) provisions;
- verified the payroll adjustments and corrections transactions were properly supported and in compliance with City policy;
- verified adjustments and corrections transactions were timely and properly authorized; and,
- evaluated internal controls related to payroll adjustments and corrections process.

We conducted this performance audit 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 findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



## Audit Results

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The payroll adjustments and corrections tested were supported and complied with City policy with minor exceptions. The majority (over 65%) of corrections were completed within the two business day goal set by the Human Resources Department.

We identified opportunities for improvement in the following areas:

- Corrections to employee time reported (e.g. leave, work hours, etc.) made for the prior two pay periods (28 days) did not require approval by department management, prior to approval by the HR TLAB group and processing by the FMS Department.
- A report listing all corrections during a pay period was not available for management review.

Off-cycle corrections include review by designated timekeepers, departmental approvers, HR TLAB and FMS. However, we noted timesheet corrections made in the prior 28 days do not require departmental management approval. Management approval of time entries reduces the risk of incorrect or inappropriate corrections.

We reviewed a random sample of 98 corrections transactions to test whether adjustments were appropriately requested, approved and processed. Internal Audit noted two (2) of the employees were overpaid a total of \$41.94. The departments with the errors were notified accordingly about the errors.



## Overall Risk Evaluation

High	Medium	Low
<u>Corrections made within 28 days of the error did not require management approval</u>		
	<u>Reporting listing all corrections was not available</u>	





## Detailed Audit Findings

### 1. Corrections made within 28 days did not require management approval.

Finance Directive 05 requires all amendments to employee records and payment details to be authorized. According to the Personnel Rules and Regulations, managers must approve reported time. However, Internal Audit found on-cycle corrections initiated by Timekeepers within a prior 28-day timeframe did not require management approval. The timekeeper's alterations without approval by a supervisor may result in errors with reported time and/or incorrect amounts paid to employees. It should be noted that supervisor approval is required for corrections made after 28 days.

**Recommendation 1:** *The Human Resources Department Director should require management approval of corrections made within 28 days of the error.*

**Auditee's Response:** Concur. When corrections to an employee's time are needed, within the 28 day or less period, Human Resources will require all Time keepers to copy the employee's manager/supervisor on the email that is sent to TLAB team in order to notify and allow them to respond if something is incorrect. This process update will allow Human Resources to quickly implement this recommendation by communicating this change to Time Keepers and Manager/Supervisors.

**Target Implementation Date:** July 1, 2022

**Responsibility:** Human Resources (Venu Kovala, HRIS Manager)

**Applicable Department Head:** Dianna Giordano, Human Resources Director

**Applicable Interim Assistant City Manager:** Reginald Zeno

### 2. There is no report available to management that lists all payroll corrections.

Best practices for computerized systems require that they have reporting capabilities sufficient to provide information needed for management control.

Internal Audit noted that while Timekeepers, the HR TLAB group and FMS are responsible for administering a city-wide payroll corrections process, there was no report available to department managers that lists all corrections made for their departments.

Without a report listing all corrections, errors may occur and not be detected by management. Management may also not be aware about specific corrections or trends in errors that affect multiple employees within departments.

**Recommendation 2:** *The Human Resources Director, in conjunction with the FMS Director, should consult with the Information Technology Solutions Department Director to determine whether a report listing all corrections can be generated and distributed to department managers.*

**Auditee's Response:** Concur. Human Resources will work with the IT (ERP) team to develop a report that identifies all payroll corrections made in the system that involve a pay change/pay adjustment. HR



will seek input from Finance, Payroll and Department Managers on what data elements to include in the report. This will be sent to all appropriate Department Managers on a monthly or per pay period basis.

**Target Implementation Date:** January 1, 2023

**Responsibility:** Human Resources (Venu Kovela, HRIS Manager)

**Applicable Department Head:** Dianna Giordano, Human Resources Director  
Kevin Gunn, Chief Technology Officer  
Tony Rousseau, Interim Finance Director

**Applicable Interim Assistant City Manager:** Reginald Zeno



## Acknowledgements

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The Department of Internal Audit would like to thank the Human Resources, Financial Management Services and other City departments for their cooperation and assistance during this audit.