

To the Mayor and Members of the City Council

August 20, 2020

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**SUBJECT: PAYROLL TASKFORCE UPDATE**

The purpose of this response is to provide an update on the progress that has been made by the Payroll Taskforce to determine and correct root causes for frequency and magnitude of errors in payment to employees, especially overpayments.

Background

Internal Audit has completed several reviews over the past few years that have been critical of the size and scope of the errors with regard to payroll, especially overpayments that lead to employees and retirees having to repay, sometimes, thousands and tens of thousands of dollars. To address this, a Payroll Taskforce was assembled and first met in November 2019.

The Taskforce has been largely led by Human Resources and has focused on tactical issues – issues known to the three departments mostly involved in the payroll process – Human Resources (HR), Financial Management Services (FMS) and Information Technology Solutions (ITS). In addition, as an important element of this effort, a consultant, Clarity Partners, was hired to examine the PeopleSoft system, as currently configured, to determine how time and attendance is processed in an effort to optimize the payroll system. This effort resulted in a seventy-page report that outlines issues or gaps with the current system, alternatives, and recommended solutions that will make the system more efficiently. Those recommended solutions are being incorporated and prioritized into those issues already identified by HR, FMS and ITS.

Additionally, the City contracted with PFM Consulting Group (PFM) to look at broader issues such as the design of the entire payroll system and processes, and whether the organization has in place the leadership, structure, staffing levels, and the integration between departments to efficiently and effectively administer the payroll function.

Interim Recommendations

From the efforts above, the Director of Human Resources has assembled several interim recommendations that include the following:

1. Increase department accountability. All departments are responsible for the time that employees report and that payroll is based on. This responsibility has been noted in several Internal Audit reports as lacking and most recently in the report from PFM who indicated *“There does not appear to be significant department accountability for lost productivity (or errors in actual payroll) associated with the payroll process.”* As a result, it is recommended that departments assign a single point of contact responsible for the payroll of the department and be the point person for all payroll issues of that department. That staff member will be responsible for achieving departmental consistency, reducing errors, ensuring terminations are processed on a timely basis, etc.
2. Outsourcing should be examined for whole or part of the payroll process. For a system that is in its eleventh year, the frequency of errors should not be occurring. There have been many instances where the City has chosen alternative platforms or outsourced applications over a PeopleSoft

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application in order to obtain better efficiencies and better levels of functionality. This examination should be conducted by a subcommittee of the Taskforce and could be done through a formal RFI process, hiring of a consultant, direct discussions with vendors and employers that outsource, or any combination.

3. Designate a Lead Agency for the payroll process. Currently, the main responsibility for payroll is shared by the three departments (HR, FMS, ITS) and PFM noted that there is a leadership void when it comes to the payroll function. At the suggestion of PFM and based on what is typically found in other organizations, that leadership should be provided by FMS and should start with Memorandums of Understanding between HR, FMS, ITS and the departments to ensure there are clear lines of responsibility and expectations.
4. The immediate focus of the Taskforce should be on resources and structure. Currently, identified issues are taking far too long for change and implementation and PFM noted that the amount of resources devoted to the payroll function is not commensurate with that made by other organizations. Therefore, as soon as possible, an assessment should be completed and a proposal submitted that formulates a structure that will expedite identified changes in a reasonable timeframe and provide the necessary on-going support needed to evolve the payroll system as new issues or improvements are needed.
5. Consider moving the City's pay date. This interim recommendation suggests moving the City's pay date from the Friday following the close of the pay period to the following Tuesday or Wednesday. While this should not be considered permanent in nature, it will reduce the pressure and some of the errors that currently exist within the payroll processing system – final paychecks for termination have already been moved to the week following payroll and improved the accuracy of that process. However, any consideration of delaying the pay date should be accompanied by a set of expectations/duties by members of HR, FMS, ITS and the departments that will be performed that are believed will improve the accuracy and consistency of payroll.

If there are any questions concerning the above, please contact Brian Dickerson, Human Resources Director, at 817-392-7783.

David Cooke
City Manager