

INTERNAL AUDIT REPORT

March 15, 2023

Implementation of Payroll Consultants Recommendations

Mayor

Mattie Parker

Council Members

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Michael D. Crain, District 3

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Gyna Bivens, District 5

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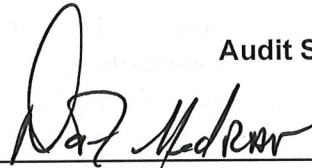
Leonard Firestone, District 7[†]

Chris Nettles, District 8

Elizabeth M. Beck, District 9

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Audit Staff



David A. Medrano

City Auditor

3-15-2023

Date

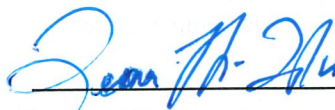


Brian Burkland

Assistant City Auditor

3/15/2023

Date



Leona High-Lasker

Senior Auditor

03/15/2023

Date

Executive Summary

As part of the Fiscal Year 2023 Annual Audit Plan, the Department of Internal Audit conducted the Implementation of the Payroll Consultants' Recommendation Audit. The Central Payroll service area within the City of Fort Worth Financial Management Services (FMS) department – Treasury Division is responsible for the disbursement of wages to approximately 6,800 City employees.

Internal Audit staff conducted tests and performed procedures to assess whether (i) the Payroll Taskforce (PTF) implemented the 58 recommendations identified in the reports issued by the payroll consultants and presented to management, and (ii) if actions were taken to minimize the risk associated with each reported finding.

We found that PTF has addressed, or is in the process of addressing, many of the issues identified in the reports issued by the payroll consultants. However, additional action is required to fully implement the remaining 22 outstanding payroll consultant recommendations. If implemented, the 58 recommendations will serve to further strengthen the controls and oversight of the City's payroll operations.

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

Management has responded to how they plan to address our audit findings and the related recommendations.

We feel that management's response will adequately address the outstanding audit recommendations and help mitigate the City's risk once implemented.

**[The Implementation of Payroll Consultants' Recommendations](#)
Audit was conducted as part of the
Department of Internal Audit
Fiscal Year 2023 Annual Audit
Plan.**

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Background

The City established a Payroll Task Force (PTF) in November 2019 to examine the root cause of payroll errors, address past audit findings, and recommend steps to reduce or eliminate future errors. The PTF is comprised of City Manager's Office (CMO), Financial Management Services (FMS), Human Resources (HR), Information Technology Solution (ITS), Fire, Legal, Planning & Data Analytics, Internal Audit, and Police Departments. The PTF, to date, has identified and implemented some immediate corrective actions, which included (i) hiring several external consulting firms to assess the overall organizational structure and effectiveness of the payroll function, (ii) assessing risk quickly for management, and (iii) identifying potential weaknesses and recommending improvements to the payroll process. The four consulting firms below completed different reports, which are as follows:

- Clarity Partners' "Fit-Gap Analysis" report issued on May 26, 2020, contained 26 points of focus.
 - The Fit Gap Analysis Report allows CFW to understand the handling of all requirements and to control and approve any changes to the delivered software, thereby managing the overall project scope. These documents explain the disposition of all requirements in terms of "Fits": requirements satisfied by the delivered PeopleSoft system, and "Gaps": requirements that are satisfied by alternative methods other than what the delivered software system provides.
- PFM Group Consulting LLC's "Payroll Process Review" report issued on July 28, 2020, contained 15 points of focus.
 - The report provided the City with a comparison to benchmark cities, outlining the current payroll process, findings, and recommendations that are helpful for discussion purposes for the Taskforce group. Recommendations were provided for technology, department roles & responsibilities, staff structure, and training.
- ISG "Payroll Sourcing Assessment Mark-to-Market Preview" report issued January 14, 2021, contained one comparison result.
 - The Mark-to-Market comparison provided the City with a range of recent market prices for comparable services, scale, benchmarks for outsourcing payroll, payroll administration, and systems cost for time and attendance.
- ISG "Payroll Sourcing Assessment – Future State Scenarios" report issued February 10, 2021, contained 12 points of focus.
 - The report was to provide a cost baseline scenario for managing the current payroll system and/or transitioning to a new time system for full population and/or public safety.
- CherryRoad Technologies' "Fire Pay End to End Analysis" report issued May 25, 2021, contained four points of focus.
 - This external audit report provided an end-to-end analysis of how Fire employees are paid and identified any discrepancies between stated process documents, actual reporting, system configuration, and rules. In addition to holiday pay-related issues, a disconnect exists in the CBA language and a last-minute issue with incentive pays.

Mayor & Council 21-0731- *Public Safety Payroll Solution* (Solution) authorized \$2,109,400 in funding for acquiring and implementing the Solution. Additionally, Mayor & Council 21-0732 -*ImmixTechnology UKG Software* authorized \$1,230,611 for UKG software and \$400,000 for backfill personnel resources. Our review revealed that, in total, the City had paid \$3,616,255 for five payroll consultant reports, implementation costs, and additional backfill personnel resources to address identified payroll risk.



In the August 10, 2021, City of Fort Worth Audit Committee meeting, staff received approval to limit the audit scope of the engagement to the implementation status of payroll consultants' recommendations. Provide a status report on each recommendation and determine whether corrective actions provided in management's response were adequate. The recommendations status was put into categories based on the work performed and included a solution that is scalable to the entire organization.

Status of Recommendations Guideline

Fully Implemented	City staff provided sufficient and appropriate evidence to support the implementation of all elements of the recommendation; agreed-upon actions have been effectively Completed;
In Progress	City staff provided some evidence, but not all elements of the recommendation were addressed, or the department has agreed to implement the recommendation but has not yet completed the implementation;
Not Implemented	The recommendation has been agreed upon with ACM and the department head, but no implementation actions have started. The actions have been deferred/on hold until a later date; they may be dependent on another activity, upgrade, or action.
Will Not Implement (Disagreed)	The ACM and Department Head did not agree (disagreed) with the recommendation, did not intend to implement the results of consulting engagement, or decided against implementing the agreed-upon recommendation for reasons identified in the report, and no further action will be reported. Senior management has accepted the risk of not taking action.



Objective

The objective of this audit was to determine the implementation status of recommendations made by outside payroll consultants.

Scope

Our audit included a review of the external consultant's recommendations and payroll system changes implemented from November 1, 2019, through September 30, 2022. Activity beyond this period was reviewed as deemed necessary. We did not test or audit the UKG Payroll solution system.

Methodology

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

- reviewed prior outside payroll consultant's report for Clarity Partners, PFM Group Consulting, Cherry Road Technology, and ISG audit report recommendations which were conducted from February 3, 2020, through May 25, 2021;
- reviewed payroll policies and procedures;
- interviewed CFW Payroll Task Force personnel (which consist of Human Resources, Financial Management Services, and Information Technology Solutions departments);
- determined whether the City agreed to the outside payroll consultant's recommendations;
- conducted testing to confirm whether those payroll recommendations were fully implemented;
- evaluated internal controls related to administering and monitoring of the payroll operation recommendation process;
- analyzed payroll records;
- attended Payroll Task Force update meetings; and
- reviewed consultant's recommendations for redundancy.

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 objective.



Audit Results

Management Oversight

Based on our test results, we determined that the Payroll Task Force has taken measures to ensure that project timeline, departmental tasks, departmental responsibilities, adequate supervision of employees, and periodic status updates are provided to the City Manager’s Office, Mayor’s Office, and City Council. The PTF has established SharePoint drives and weekly meetings to monitor the disposition of results communicated to management. The Auditor did not identify any documentation supporting that all external consultant’s recommendations were risk-ranked, except for Clarity Partner’s “Fit-Gap Analysis” report, which noted an estimate of efforts.

Staff Turnover

Due to a 21% (17 of 82 employees/consultants) staff turnover rate during the Public Safety Payroll Solution (PSPS) project, management in FMS, Police, Fire, HR, and ITS departments have used various employment agencies to backfill staff vacancies. This allowed subject matter expertise coverage within each department to facilitate continued implementation efforts. Assignment of tasks to personnel was handled by PTF, using knowledgeable personnel based on the skills and expertise needed.

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

Overall Risk Evaluation

High	Medium	Low
	Payroll Taskforce did not implement all of the agreed-upon outside consultant’s recommendations	



Detailed Audit Findings

1. Payroll Taskforce did not implement all of the agreed-upon outside consultant's recommendations (points of focus).

According to the Informal Report No. 10360 to the Mayor and Members of the Council, "...the City established a task force in November of 2019 to examine the root cause for payroll errors and recommend steps to reduce or eliminate future errors...The Taskforce evaluated whether audit recommendations were fully implemented and resolved the identified issue".

Internal Audit identified 58 points of focus within the five payroll consultant reports, of which 52 were agreed upon by management for implementation and six which management Will Not Implement, as management decided against for which no action was required. Of the 52 agreed-upon recommendations, 30 have been Fully Implemented. For the 22 recommendations In Progress or Not Implemented, one of the reasons identified for not implementing was the PTF's assessment that the Public Safety Payroll Solution (PSPS) project would address the highest priority of the remaining 22 outstanding. The PTF has provided audit staff with a status update for each of the 22 outstanding recommendations; however, some of the Not Implemented recommendations were not included on the IT Solutions department task worklist.

As a consequence of limited staffing resources resulting from the PSPS project initiative, further progress on the outstanding recommendations was postponed for the Fire and Police department UKG Payroll solution system implementation as of December 2021. PTF members stated that they could provide no target implementation date for addressing the remaining 22 outstanding consultant's recommendations until after the PSPS project has been implemented; some of the concerns could possibly be fixed with the UKG Payroll solution system implementation. Failure to implement the agreed-upon recommendations increases the risk of recurring payroll errors.

Recommendation: *The Chief Financial Officer, in conjunction with the Chief Technology Officer and Human Resources Director, should evaluate that the remaining 22 outstanding recommendations are relevant and need to be fully implemented for all departments.*

Auditee's Response: Concur. The ongoing payroll processing improvement effort is currently focused on the implementation of the UKG payroll solution for Police and Fire (Public Safety Payroll Solution project). The target implementation of this solution is Spring/Summer 2023. Upon completion of the implementation and post implementation maturation of the UKG payroll system, the Payroll Task Force (PTF) will then turn its attention to evaluation of the remaining outstanding points of focus from the various consultant reports. This response refers to the outstanding recommendations as "points of focus" because not all outstanding items are recommendations; rather, they are a combination of recommendations and considerations.

The target implementation date below represents the estimated completion date of the evaluation of the remaining outstanding points of focus. The evaluation to include a cost/benefit analysis will determine if they are relevant and need to be fully implemented. The actual execution of the remaining outstanding items, deemed necessary for implementation, will occur after the evaluation is complete, based on an implementation plan to be developed in the future.



Target Implementation Date: 12/31/2023

Responsibility:

John Samford, Assistant Finance Director, Financial Management Services
Donlen Ruffin, Assistant Director, IT Solutions
Kacey Bess, Assistant Director, Human Resources

Applicable Department Head(s):

Reginald Zeno, Chief Financial Officer, Financial Management Services
Kevin Gunn, Chief Technology Officer, IT Solutions
Dianna Giordano, Human Resources Director, Human Resources

Applicable Assistant City Manager(s):

Valerie Washington, Assistant City Manager, IT Solutions
Jessica McEachern, Assistant City Manager, Human Resources