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Overtime Usage and Controls Audit

October 11, 2019



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

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The Overtime Usage and Controls Audit was conducted as part of the Department of Internal Audit's Fiscal Year 2018 Annual Audit Plan.

Audit Objective

The objective of this audit was to assess whether internal controls for overtime usage were adequate and appropriate and whether overtime practices complied with City policies and procedures.

Audit Scope

Our audit included a review of overtime from January 1, 2017 through March 31, 2018. Activity beyond this period was reviewed as deemed necessary.

Opportunities for Improvement

Overpayments repaid and/or underpayments paid to current and former employees

Mandatory timekeeper and supervisor training

Enhanced exception reporting

Court attendance documentation updated and retained

Manual processes replaced with automated processes

Timekeeping guidance updated and communicated to employees

Ensure that all pay types are supported by policies or contract

Executive Summary

As a part of our FY2018 Annual Audit Plan, the Department of Internal Audit conducted an audit of Overtime Usage and Controls that covered CY2017 and the first quarter of CY2018, with audit testing expanded as deemed necessary.

The City of Fort Worth paid approximately \$36.5 million and \$35.3 million in overtime, during FY2017 and FY2018, respectively. Budgeted overtime in FY2017 and FY2018 was \$31.6 million and \$32.2 million, respectively.

Internal Audit identified several weaknesses that resulted in overtime payment errors and internal control gaps that could have a negative effect on management's ability to monitor and control overtime. Due to the significance of those weaknesses, an interim report was issued on February 8, 2019.

We concluded that employees were paid for scheduled hours that were not worked. Since scheduled hours were not zeroed out when employees did not work, some employees were overpaid. At interim reporting, Internal Audit questioned possible overpayments totaling approximately \$54,000.00. After completing the audit, Internal Audit questioned possible overpayments totaling approximately \$259,000.00.

Internal Audit also identified overpayments and underpayments related to employees who were paid for more than 24 consecutive hours. Based on feedback received from departments, six employees were overpaid and one was underpaid due to erroneous time entry, resulting in a net overpayment of \$1,182.31. This issue was also addressed within the February 8, 2019 interim report, after which no additional exceptions were noted.

In reference to time paid for court appearances, less than 30% of court time paid was supported by the required Court Appearance Verification forms. We also concluded that current processes, intended to identify payroll anomalies, were considered inadequate. Rather than automatically producing and distributing system-generated reports, Timekeepers are expected to run a number of queries, with minimal exception reporting to management. Based on exceptions identified during this audit, specified queries were sometimes not generated and/or follow up was either inadequate or did not exist.

Since PeopleSoft was not configured to consistently pay Police Captain overtime, Timekeepers were required to apply a manual process to ensure that overtime was paid correctly. Additionally, there was no justification within the Personnel Rules and Regulations, labor contracts or statutes to support approximately \$19,000.00 in holiday overtime payments made to Fire staff, on an annual basis. Also, payroll

processing guides and training materials were inconsistent and sometimes outdated. These findings are discussed in further detail within the [Detailed Audit Findings](#) section of this report.

In addition to the [Detailed Audit Findings](#), Internal Audit excluded a finding from this report that was considered sensitive, and could relate to current meet and confer negotiations concerning pay for officers. Management concurred with the audit finding, which will be communicated to those charged with governance. Also, follow-up will be conducted at a later date to ensure full implementation of the related audit recommendation.

Table of Contents

Background 1

Objective 4

Scope..... 4

Methodology 4

Audit Results..... 5

Overall Evaluation 7

Detailed Audit Findings 8

Acknowledgements..... 22



Background

Overtime may be required due to vacancies, emergencies, special events, staffing shortages, workload fluctuations, etc. It is often more cost-effective than hiring additional staff, and allows employees to meet fluctuating workloads, without requiring layoffs when the workload declines. Offering overtime can also boost employee morale. However, over-reliance on overtime can increase absenteeism, decrease productivity, increase mistakes and create a workforce that is dependent on overtime hours.

Federal guidelines require employers to compensate general employees at a higher rate when those employees work more than 40 hours in a work week (seven consecutive 24-hour days). Whereas, Fire suppression personnel earn overtime when they work over 212 hours in a 28-day cycle. At a minimum, the overtime rate must be one and one-half times the employee's normal rate of pay.

Employees referred to as "exempt" employees are exempt from overtime requirements, based on federal guidelines. Exempt employees commonly include executive, administrative, professional, computer and outside sales employees. To qualify as an exempt employee, the position must meet federal criteria regarding job duties, and must be paid on a salary basis. The salary must also exceed a federal minimum. If an employee is not specifically exempted from overtime guidelines, the employee is commonly referred to as "non-exempt" and federal guidelines on payment of overtime apply.

Overtime Requirements

Non-exempt employees are paid overtime at a rate of at least one and one-half times their normal rate of pay. Due to federal regulations, this rate may be higher than one and one-half times the base pay rate if the employee receives other payments such as longevity, bilingual pay, etc. Non-exempt employees may also be paid compensatory (comp) time at a rate of one and one-half hours, accrued for every overtime hour worked. Therefore, when a non-exempt employee leaves the City, promotes to an exempt position or reaches the cap for comp time, the employee will be paid for comp time accrued or overtime worked. The City's General Personnel Rules and Regulations (PRRs) state that, as a government entity, the City can control overtime costs by allowing employees to accrue comp time during heavy work periods and then use accrued comp time when the workload permits.

There are several types of overtime at the City of Fort Worth (CFW).

- Overtime (civil service and regular) – paid to non-exempt employees for all hours worked in excess of 40 per work week, at a minimum of one and one-half times the normal rate of pay. The City's work week begins on Saturday and ends the following Friday for most employees.
- Emergency Callback Overtime – paid at a rate of one and one-half times the normal rate of pay when an employee is called back after scheduled hours and after leaving the job site. General non-exempt employees are paid a minimum of two hours for emergency callback, while civil service personnel are paid a minimum of four hours.
- Holiday Overtime – paid to non-exempt employees as premium pay for working a holiday.
- Built-in Overtime – earned as a result of suppression Firefighters working in excess of 212 hours in their 28-day cycle. This excludes Constant Staffing Overtime or Emergency Callback Overtime.
- Constant Staffing Overtime – overtime resulting because the Fire Department maintains a minimum staffing level (of at least four) to retain safe coverage at fire stations and ensure sufficient staff is available to operate each apparatus.



- Acting Pay Overtime – overtime earned while performing the duties of a higher rank.

While the City’s PRRs require employees to obtain authorization prior to working overtime hours, departments vary on how this is addressed. An employee may be disciplined for working overtime without authorization.

Time Entry

Time entry at the CFW is done on an exception basis. Employees are, therefore, assigned default system schedules that automatically populate. This allows the employee or timekeeper to modify the schedule, and thus spend less time on data entry.

The City relies on the PeopleSoft Human Capital Management (HCM) system for payroll processing. Some employees directly input their time, while others rely on timekeepers to enter hours worked. Departmental timekeepers have the ability to run a series of queries (each pay period) to help identify errors.

Employees or timekeepers enter absences into PeopleSoft, but do not require supervisory approval. If the employee or timekeeper properly forecasts the absence (e.g., the employee has sufficient leave available and submits the absence correctly), the absence will automatically process. At the close of time entry, if supervisors have not approved time by the payroll deadline, the Human Resources Department (HR) HRIS/Records Division (Time and Labor team) “mass-approve” time to ensure employees are paid as required by federal law.

Payment Processing

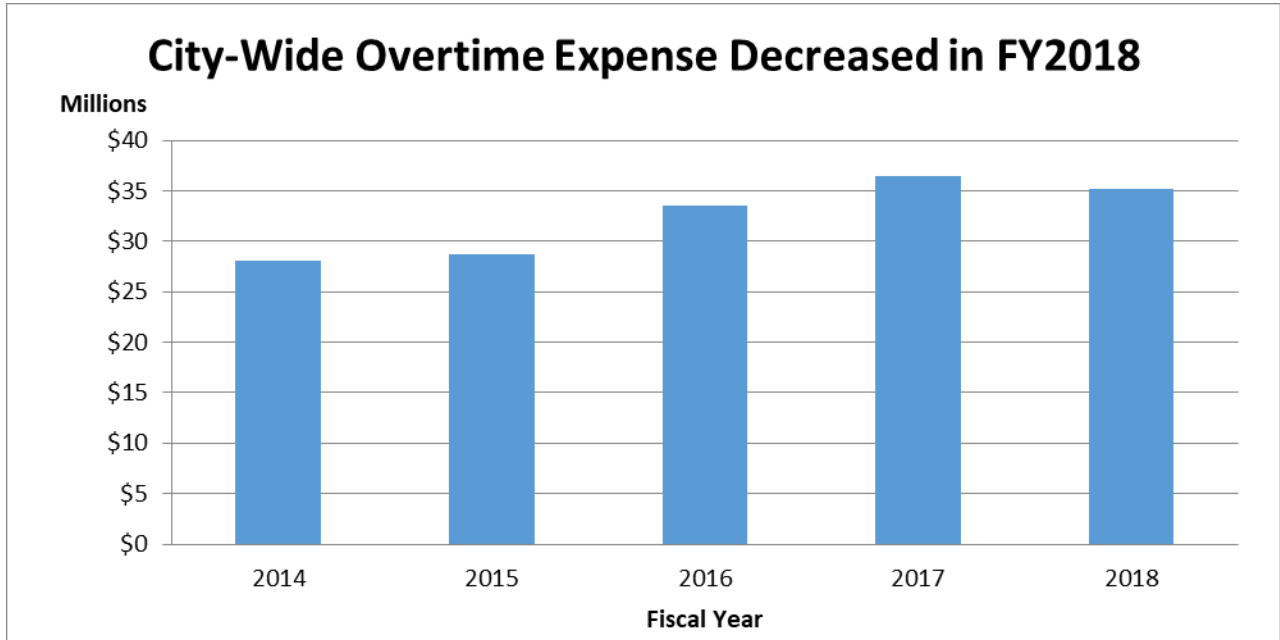
The Treasury Division of the Financial Management Services Department is responsible for processing payments and interfacing transactions to the general ledger. They also process payroll deductions, payment plans and/or payroll corrections that cannot be handled by the Time and Labor team, including backdated pay rate changes and/or changes that are considered “too old” to process.

The Information Technology Solutions Department (ITS) handles PeopleSoft system administration and modifications. When changes are to be made to PeopleSoft HCM, ITS implements the changes, but has the Time and Labor team conduct tests to ensure that system changes are functioning as intended, and that the changes have not created any unintended effects.

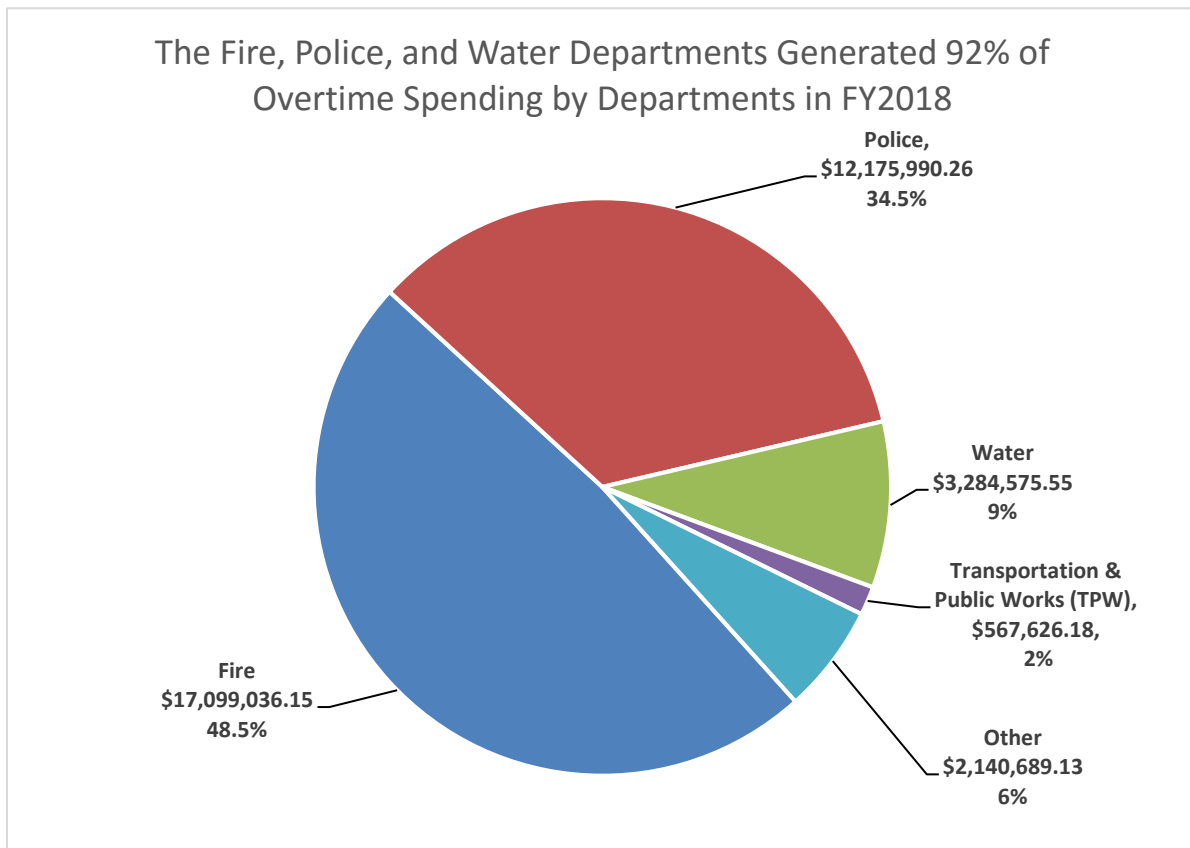
When hours are entered into PeopleSoft, PeopleSoft HCM automatically calculates overtime, comp time, the Fair Labor Standards Act (FLSA) rate, etc. during payroll processing.

Overtime Payments

As noted in the following chart, citywide overtime (across all funds) decreased in FY2018.



Source: General Ledger



Source: General Ledger



Objective

The objective of this audit was to assess whether internal controls for overtime usage were adequate and appropriate, and whether overtime practices complied with City policies and procedures.

Scope

This audit included a review of overtime from January 1, 2017 through March 31, 2018. Audit tests of payroll activity beyond this period (e.g., prior to January 1, 2017 and subsequent to March 31, 2018) were completed as deemed necessary.

We did not analyze staffing levels that might affect the need for overtime.

Methodology

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

- reviewed the CFW's PRRs, Timekeepers Handbook, Police Department's General Orders, and Collective Bargaining Agreements between the City and the Fort Worth Fire and Police Departments;
- reviewed applicable federal regulations;
- interviewed staff that are responsible for City payroll;
- obtained feedback from departments regarding specific time entry;
- compared PeopleSoft timekeeping entries (e.g., time punches and populated work schedules) to hours paid;
- compared CFW overtime policies to those of other cities;
- reviewed contracts between the CFW and organizations required to reimburse the City for overtime worked by City employees during special events (e.g., Fort Worth Stock Show and at the Texas Motor Speedway);
- compared overtime reported as being worked, to overtime paid by organizations responsible for reimbursing the City; and,
- evaluated internal controls related to overtime usage.

We conducted this 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

Based on our audit results, PeopleSoft calculated overtime in accordance with applicable rules and regulations. We identified overpayments resulting from payment for scheduled hours not worked, and were unable to determine whether overpayments were made to Police Chief and some Fire staff. Although Citywide overtime decreased in FY2018, opportunities exist to improve controls through enhanced reporting and consistency of training resources provided to City staff.

The City's payroll is complex due to legal requirements, civil service rules, labor contract requirements and a variety of jobs and shifts. The rules must be configured within the PeopleSoft system, validated and tested when there is a system change. With over 6,700 employees, the volume of payroll transactions is large. The nature of Police, Fire and Water Department operations could result in overtime payments in a variety of circumstances. In addition, errors by employees, timekeepers or supervisors result in the need for a significant number of corrections.

Payment of Scheduled Hours Not Worked

Employees were sometimes paid overtime that was based on scheduled and reported hours. Overpayments resulted when employees did not work on one or more scheduled days, but were paid for scheduled hours that were not zeroed out. We questioned approximately \$259,000.00 of overtime paid to employees across 15 departments.

Over 24 Consecutive Hours Reported

We identified pay periods where employees reported working more than 24 consecutive hours. Departments reported that emergencies, special events or overnight programs sometimes require that employees work 24 or more consecutive hours. Based on feedback provided by management, erroneous time entry for six employees resulted in a net overpayment of approximately \$1,182.00.

Time and Payroll Reporting

To identify payroll errors, departmental timekeepers must manually run queries and carefully review the results. We identified errors that would have been identified had timekeepers generated the queries and reviewed the results. For example, there were three instances where leave time was saved, but not submitted. A "saved but not submitted" query was available to, but not run by, timekeepers. By not running the query and reviewing results, timekeepers did not detect that time entry had not been submitted. As a result, employees were paid regular time although leave time was taken. Additionally, leave time was not properly deducted from the employees' available leave balances.

Other reports or queries that were not developed and made available included:

- timekeeper reports/queries to identify payments for scheduled hours not worked;
- timekeeper or manager reports to identify employees reporting over 24 consecutive hours worked; and,
- management reports that allow time approvers to monitor timekeeper performance and ensure that approved hours were paid correctly.

Court Attendance Documentation

The Fort Worth Police Department (FWPD) documents FWPD officers' court attendance. However, documentation required to support court attendance for Pay Period 7 of Calendar Year 2018 (3/17/2018 – 3/30/2018) was not available for approximately 70% of officers with reported court appearance hours. Additionally, Police Department staff were only able to locate attendance logs for one Court.



Police Captain Classification

Payment of overtime to Police Captains required a manual process due to a PeopleSoft configuration. The manual process occasionally resulted in differences between hours recorded on timesheets and hours on pay advices. Internal Audit did confirm that the Police Captain position was initially classified as exempt, but later changed to non-exempt due to a contract interpretation. As a result, it was not possible to determine if Captains were over or underpaid.

Training Materials

Some training materials provided via the City's intranet were outdated and inconsistent. Instructions on how to remove scheduled hours when an employee has full and partial day absences on scheduled workdays were inconsistent when comparing job aids to training guides and simulations. Additionally, the City's intranet site did not provide current contact names for employees with time and labor or absence management questions. As of June 2019, the two individuals listed as persons to contact terminated their employment with the CFW in FY2015. The City's intranet webpage was also not updated to provide the current version of the Timekeeper Training Manual.

Holiday Overtime for Fire Employees

Holiday overtime earned by Fire civil service employees is shown as two separate amounts on pay advices. One amount is based on the hours worked for the holiday. The other amount results from a manually processed computer script that calculates an additional payment. We could not find a contractual or legal basis for the additional payment that resulted in total payments of approximately \$19,821.00 per year.

Acting Pay with Overtime

Police acting pay overtime is budgeted and expensed to acting pay general ledger accounts. Overtime associated with Police acting pay is, therefore, not included in the Police Department's overtime total. As a result, total overtime reported to City executive management is underreported.

Overtime Reimbursements

The CFW is reimbursed for overtime worked for specific events and activities. Events with overtime reimbursements identified during our audit were the Fort Worth Stock Show and Rodeo, and races at the Texas Motor Speedway. The Department of Internal Audit obtained contracts between the CFW and the external organizations. We compared employee timesheets to City billings, and confirmed that the billed amounts were received from the external organizations. We also ensured that CFW billings and related overtime reimbursements were consistent with the governing contracts. No exceptions were noted.

Constant Staffing Overtime

Fire Department constant staffing overtime increased from \$9.8 million in FY2017 to \$11.2 million in FY2018. When questioned, Fire Department staff indicated that the number of vacancies contributed to the increase in constant staffing. Internal Audit compared the Fire Department's hours of constant staffing to hours of leave taken, by date, and found that constant staffing overtime was highly correlated with leave usage.

Comp Time

Internal Audit was able to confirm that non-exempt comp time was accrued correctly (e.g., ensuring 1.5 hours were awarded for every overtime hour worked). No significant issues were noted with PeopleSoft's calculation methodology.



Overall Evaluation

High	Medium	Low
<u>Employees paid for scheduled hours not worked</u>		
<u>Employees overpaid due to erroneous over 24-hour time entry</u>		
<u>Ineffective and inefficient process for identifying errors timely</u>		
<u>Documentation supporting court time not retained</u>		
<u>Police Captain position not configured to pay overtime correctly</u>		
<u>Inconsistent and outdated training tools</u>		
<u>Basis for Firefighter holiday premium pay not supported</u>		



Detailed Audit Findings

1. Employees were paid for scheduled hours that were not worked.

Based on our audit testing, Internal Audit identified instances where employees were paid for scheduled hours that were not necessarily worked. We, therefore, questioned overtime payments totaling approximately \$259,000.00.

As noted in our Interim Audit Report dated February 8, 2019, employees have an assigned work schedule within PeopleSoft. However, if no hours are reported, the employee is paid his/her scheduled hours, regardless of whether the employee worked or did not work those scheduled hours. Manual intervention, which requires that scheduled hours be zeroed-out or replaced with punch-ins and punch-outs, is required to prevent payment for hours scheduled but not worked.

Due to the significance of this internal control weakness, we communicated this finding via the aforementioned interim audit report. The interim report questioned approximately \$54,000.00 in overpayments to 74 employees across 10 general departments. Within this report, the total questioned amount increased to approximately \$259,000.00 across 15 departments, as noted in the following table.

OVERTIME NOT SUPPORTED BY ENTERED HOURS					
Department	Number of Employees	Number of Hours	Total Overtime Questioned	Amount Paid to 9/13/19	Number of Payment Plans
Aviation	3	62.0	\$2,106.20	\$0.00	0
City Manager's Office	3	17.0	\$604.85	\$0.00	0
Code Compliance	57	798.0	\$22,282.90	\$15,236.08	23
Comm. & Public Engagement	5	80.0	\$2,965.57	\$2,427.68	4
Fire	8	74.0	\$4,272.38	\$1,862.57	3
IT Solutions	9	598.0	\$19,234.94	\$12,371.06	5
Municipal Court	8	74.0	\$2,669.76	\$0.00	0
Neighborhood Services	1	8.0	\$276.24	\$0.00	0
Park & Recreation	16	154.0	\$3,605.12	\$1,866.47	4
Performance & Budget	1	5.5	\$164.76	\$0.00	0
Police ¹	369	3,926.0	\$154,899.46	\$0.00	0
Property Management	5	31.0	\$1,247.56	\$829.21	3
Public Events	3	20.5	\$673.46	\$450.07	0
Transportation & Public Works	34	357.0	\$10,089.24	\$563.34	2
Water	75	1,249.5	\$34,285.37	\$28,420.18	37
Totals:	597	7,454.5	\$259,377.81	\$64,026.66	81

Source: Internal Audit and the Financial Management Services Department

¹ Due to the volume of questionable payroll transactions, after an initial analysis of 70 employees, the remaining Police Department employees were referred to FWPD for analysis. FWPD has employees specifically assigned to FWPD timekeeping (and are thus more knowledgeable of FWPD-specific timekeeping). FWPD agreed to research the questionable entries and review the analysis performed by Internal Audit. As of 8/13/2019, FWPD indicated that 110 of the questioned transactions resulted in overpayments. FWPD indicated that the remaining employees were still being researched.

Section 2.1 of the City's PRRs states that it is the policy of the CFW to accurately compensate employees in compliance with all applicable state and federal laws. Those rules and regulations further state that in



order to ensure that employees are properly paid for all time worked, employees must correctly report all work time, and review their pay advice to identify any errors.

The employee or the designated employees (Timekeepers) in each department are responsible for maintaining accurate records that reflect an employee's actual hours worked. The City's Timekeepers Handbook states that timesheets are to be approved in PeopleSoft by the employees' supervisor or the assigned back-up approver. Absences are automatically approved.

Recommendation 1A: *The Chief Financial Officer should ensure that repayment is sought from individuals identified as current employees; requests for repayment are sent to individuals identified as former employees; and, the City Attorney is consulted as deemed necessary.*

Auditee's Response: Concur. On September 18, 2019, a memo from the Chief Financial Officer was sent, by email, to each applicable department head with current and/or former employees, identified in the audit, that were overpaid. The memo provided a deadline of October 11, 2019 for each affected department to validate Internal Audit's calculations, obtain repayment agreements and submit payroll corrections to Human Resources (for active employees), or to contact Assistant City Attorney Stephen Cumbie to initiate a demand letter to former employees.

Target Implementation Date: October 11, 2019 for each affected department to validate Internal Audit's calculations, obtain repayment agreements and submit payroll corrections to Human Resources (for active employees), or to contact Assistant City Attorney Stephen Cumbie to initiate a demand letter to former employees.

Responsibility: John Samford, Assistant Finance Director – FMS Treasury Division

Applicable Interim Assistant City Manager: Kevin Gunn

Recommendation 1B: *The Human Resources Director should develop a query and/or exception report that identifies scheduled hours to be paid that do not have time entered by the employee. The query and/or report should be made available to departments each pay period.*

Auditee's Response: Concur. Query "Z_TL_PAYTIME_WO_RPTDTIME" was created and shared with timekeepers on April 14, 2019; it has also been added to the list of queries to run on payroll Mondays.

Target Implementation Date: Implemented April 14, 2019

Responsibility: Department Timekeepers

Applicable Assistant City Manager: Jay Chapa

Recommendation 1C: *The Human Resources Director should require mandatory training for newly hired departmental Timekeepers and supervisors, and mandatory refresher courses for current departmental Timekeepers and supervisors.*

Auditee's Response: Concur. Timekeeper and Manager Self-Service training is held quarterly. Currently only employees who request the security role of "Timekeeper" are required to take Timekeeper training. Timekeepers and Managers can come to trainings, as new employees or refresher course. Hands-on training is provided when system changes or processes occur. An updated timekeeper handbook will be uploaded to the City's HRIS intranet page for anyone to reference.



Target Implementation Date: Beginning of 2020

Responsibility: Human Resources

Applicable Assistant City Manager: Jay Chapa

Recommendation 1D: *The Chief of Police should ensure that questionable overpayments to the 369 officers and civilians is properly researched, and seek repayment from employees who were overpaid. The City Attorney’s Office should be consulted if repayments are due from individuals who have since terminated employment with the City of Fort Worth.*

Auditee’s Response: Concur. The Police Department’s Centralized Police Payroll Team (CPPT) has reviewed the list of questionable overpayments. Research and repayment agreements will be completed on or before October 11, 2019. CPPT will work with the City Attorney’s Office on individuals that are no longer employed with the City of Fort Worth. In addition, internal controls will be developed and implemented by stakeholders to identify and promptly correct overpayments.

Target Implementation Date: December 31, 2019

Responsibility: Police Department (PD): Julie Swearingin, Assistant Chief, Jami Hoffman, Unit Manager of Centralized Police Payroll Team

City Attorney’s Office (CAO): Stephen Cumbie, Asst. City Attorney

Applicable Assistant City Manager: Jay Chapa

2. Six employees were paid incorrectly due to erroneous time entry.

We identified 25 employees who were paid for more than 24 consecutive hours during FY2017 and FY2018. As noted in the following table, department heads and/or their designees indicated that employees who worked 24 or more consecutive hours did so because of emergencies, special events and/or overnight City-sponsored programs. Employees deployed to assist with Hurricane Harvey efforts may not have actually worked the total number of hours in which they were paid. However, they were paid from portal-to-portal (i.e., from the time they were deployed until the time they returned from deployment) because their assignments were considered “all-hazard.” It should be noted that payroll costs related to Hurricane Harvey were reimbursable to the City. Also, the Public Events Department informed Internal Audit that their employee worked, and did not sleep within the 36.5 consecutive work hours.

Department	Number of Employees	Range of Consecutive Hours Paid	Reason/Rationale
Neighborhood Services	1	26	City-sponsored event involving an overnight stay
Public Events	1	36.5	Fort Worth Stock Show Preparation
Transportation & Public Works	2	26.0 to 33.5	On-Call work for Rain Event; Timekeeping Error
Park & Recreation	5	25.0 to 31.5	City-sponsored events involving an overnight stay
Property Management	2	57.0 to 138.5	Hurricane Harvey - Emergency Management
Water	14	24.5 to 42.5	Water main breaks/emergency pumping

Source: PeopleSoft; Departmental feedback



Of the 25 general employees who were paid for more than 24 consecutive hours, six Water Department employees were paid incorrectly.

Employee	Over/(Under) Payment	
	Hours	Amount
#1	(0.75)	(28.13)
#2	12	406.51
#3	12	338.20
#4	4.75	164.08
#5	3	76.17
#6	12	225.48
TOTALS:	43	\$1,182.31

Source: Water Department

Based on feedback obtained from the Water Department:

- one (1) employee was inadvertently underpaid .75 overtime hours [Employee #1];
- three (3) employees erroneously recorded their time as p.m. versus a.m., or a.m. versus p.m., resulting in a 12-hour overpayment for each employee. One of these three employees has since terminated employment with the City [Employees #2, #3 and #6]; and,
- two (2) employees were erroneously paid for time away from work. For example, they were paid for the time between when they left work and when they were called back, resulting in a combined overpayment of 7.75 hours. [Employees #4 and #5]

Section 2.1 of the City’s PRRs states that it is the policy of the City to accurately compensate employees in compliance with all applicable state and federal laws. It further states that to ensure that employees are properly paid for all time worked, employees must correctly report all work time and review their pay advice to identify any errors. The PRRs also state that the City can collect any money from the employee’s final pay or terminal leave payout that is owed to the City for overpayments.

Based on our review of PeopleSoft timesheets, there were no daily time punches (punch-in/punch-out) of 24 hours. There were, however, time punch totals up to 23.98 hours per day. While those punch totals were less than 24 hours per day, there was not necessarily a gap in the hours reported. For example, a punch-in time of 12:00:00 a.m. with a punch-out time of 11:59:00 p.m. totaled 23.98 hours within PeopleSoft. However, the employee’s next punch-in time was 12:00:00 a.m., resulting in time entry of 24 consecutive hours. A subsequent punch-in time for the same employee for the next work day was recorded as 12:00:00 a.m. with a punch-out time of 11:59:00 p.m., again totaling 23.98 hours with the employee being paid for another 24 hours, as noted in the following illustration. The employee, therefore, has time entry of 48 consecutive hours, without any time off. The Department of Internal Audit was unable to definitively determine whether employees had been instructed to clock out at the end of each day (regardless of when they stopped working) or whether daily punch-outs were a system requirement.



Sat	8/26	New						
Sun	8/27	New						
Mon	8/28	Submitted	6:00:00AM	11:00:00AM	12:00:00PM	3:00:00PM	8.00	REG - Regular
Tue	8/29	Submitted	6:00:00AM	11:00:00AM	12:00:00PM	3:00:00PM	8.00	REG - Regular
Wed	8/30	Submitted	5:58:00AM	11:00:00AM	12:00:00PM	2:58:00PM	8.00	REG - Regular
		Submitted	2:59:00PM			11:59:00PM	9.00	REG - Regular
Thu	8/31	Submitted	12:00:00AM			11:59:00PM	23.98	REG - Regular
Fri	9/1	Submitted	12:00:00AM			11:59:00PM	23.98	REG - Regular

Currently, PeopleSoft prompts an error message when punch-in and punch-out punches total 24 hours or more for time reported. In the preceding illustration, the employee’s time was not flagged because the punches totaled 23.98 hours – or less than the 24 hours the system would have flagged. The example shows that the hours “crossed over” to the next consecutive work date. However, PeopleSoft did not flag the time entered since the clock out punches were recorded as 11:59:00 p.m. instead of 12:00:00 a.m.

While no federal law prevents employers from requiring workers to complete shifts of 24 hours or more, the United States Department of Labor states that working a 24-hour shift can cause employees emotional, mental and physical stress. Per the Occupational Safety and Health Administration (OSHA) Education Center’s website, no OSHA standard currently exists to regulate extended and unusual shifts in the workplace. The website further states that a work period of eight consecutive hours over five days with at least eight hours of rest in between shifts defines a standard shift. Any shift that goes beyond this standard is considered extended or unusual. The website states that longer shifts are often required for emergencies and when resources are scarce; and that such shifts usually come without warning and can take their toll on the health, safety and productivity of employees.

As with the exception noted in Finding 1, we communicated this finding to management via the interim audit reported dated February 8, 2019. Such communication was deemed necessary due to the significance of this finding/control weakness.

Recommendation 2A: *The Human Resources Director, in conjunction with the Chief Financial Officer, should require payroll adjustments to correct overpayments (which totaled \$984.96) to the four active employees noted within the finding.*

Auditee’s Response: Concur. Payroll adjustments and repayments were completed December 2018.

Target Implementation Date: Repayments processed December 28, 2018

Responsibility: Human Resources-Records Division (HRIS), Financial Management Services, Water Departments

Applicable Assistant City Manager: Jay Chapa

Applicable Interim Assistant City Manager: Kevin Gunn



Recommendation 2B: *The Chief Financial Officer, in conjunction with the City Attorney, should submit a written repayment request to the former employee who was overpaid a total of \$225.48.*

Auditee's Response: Concur. Payroll staff has confirmed that the City Attorney's office sent a demand letter to the overpaid former employee and will pursue further legal remedies if the overpaid former employee does not respond and/or repay the City.

Target Implementation Date: Completed

Responsibility: Stephen Cumbie, Assistant City Attorney

Applicable Interim Assistant City Manager: Kevin Gunn

Recommendation 2C: *The Chief Financial Officer, in conjunction with the Water Director, should require a payroll adjustment to correct the payroll underpayment (totaling \$28.13) for the employee noted within the finding.*

Auditee's Response: Concur. The underpayment was made to the employee noted within the finding during pay period 26 in calendar year 2018.

Target Implementation Date: Completed

Responsibility: John Samford, Assistant Finance Director – FMS Treasury Division

Applicable Interim Assistant City Managers: Dana Burghdoff and Kevin Gunn

Recommendation 2D: *The Human Resources Director should require the development of a query or exception report to identify employees who report time in excess of 24 consecutive hours. The query/ report should be made available to departments each pay period.*

Auditee's Response: Concur. Query was created and provided to department timekeepers mid-July. Since implementation only four of 24 department have used the query almost every pay period; Internal Audit, Law, Public Events and Parks and Recreation. Fifteen departments have run the query at least one time. Query name: Z_TL_PUNCHES_OVER_24_HOURS

Target Implementation Date: Implemented July 10, 2019

Responsibility: Department Timekeepers

Applicable Assistant City Manager: Jay Chapa

Audit Comment: Internal Audit commends HR for developing the query that is needed to help identify payroll anomalies. However, the report is valuable only to the extent it is used. Based on management's response, not all departments (specifically those departments with special events or 24-hour operations) are utilizing the query that was developed.

Recommendation 2E: *The Human Resources Director should require an exception report for gaps of less than "x" number of minutes between punch-out and punch-in times. (This exception report would identify instances similar to those noted in the [illustration on page 12](#) of this report).*



Auditee’s Response: Concur. Query was created and provided to department timekeepers mid-July. Since implementation only three of 24 department have used the query each pay period; Internal Audit, Public Events and Parks and Recreation. Eleven departments have run the query for at least one pay period. Query name: Z_TL_CONTIG_PUNCH_SAME_PROJ

Target Implementation Date: Implemented July 10, 2019

Responsibility: Department Timekeepers

Applicable Assistant City Manager: Jay Chapa

Audit Comment: Internal Audit commends HR for developing the query that is needed to help identify payroll anomalies. However, the report is valuable only to the extent it is used. Based on management’s response, not all departments are utilizing the query that was developed.

3. The process by which payroll anomalies and exceptions are identified is inefficient/ineffective.

Employees within the Time and Labor team of the Human Resources Department request that departmental Timekeepers run the following queries multiple times by 11:00 a.m. on Monday, before the Time and Labor team begins to process payroll. The queries allow Timekeepers an opportunity to identify, research and resolve payroll anomalies before employee paychecks are generated.

PAYROLL QUERIES	
Query Name	Query Description
Z_AB_SAVED_NOT_SUBMITTED_BY_BU	Absences Saved Not Submitted by Business Unit
Z_TL_SAVED_NOT_SUBMITTED_BU	Time Saved Not Submitted by Business Unit
Z_TL_TIME_NEEDS_APPROVAL	Payable Time Needing Approval
Z_TL_ACTING_PAY_EXCEPTIONS	Acting Pay High Exceptions by Grpl
Z_TL_EXCEPTIONS_HIGH	Unresolved High Exceptions
Z_TL_TIMESHEET_NOT_ENTERED	Timesheet Not Entered
Z_ABS_OVER40_BY_BU	Absence Over 40 by Business Unit
Z_TL_TIME_NEEDS_APPRVD_PRIOR_B	Prior Period Pay Time Needs Approved
Z_TL_PAYTIME_WO_RPTDTIME	Paid Time Without Reported Time

The degree to which payroll anomalies are identified currently depends upon each department running queries and reviewing the results. It is pertinent that queries be run, and the results reviewed to identify payroll anomalies and resolve any incomplete and/or inaccurate entries. However, if departmental Timekeepers do not run one or more of the queries or review the query results, the Timekeepers will most likely not be aware of incomplete or incorrect time and labor entries.

Internal Audit concluded that it would be more efficient if the query results were systematically generated. Cost savings from running system-generated reports (versus requiring employees to run queries) is estimated at approximately \$3,700.00 or \$7,500.00 per year. This calculation is based on one Timekeeper per department (23 timekeepers x \$24.95 x 15 or 30 minutes x 26 pay periods).

Also, routinely routing system-generated reports to each department should help ensure correction of payroll errors before final pay is determined. For example, during our audit, we identified 15 questionable saved-but-not-submitted entries. Saved-but-not-submitted entries are entries where employee leave has been entered and saved, but not submitted for processing.



- From 15 questionable entries, we selected each payroll transaction where eight or more hours were questionable, resulting in further analysis of seven of the 15 payroll transactions.
- Of the seven transactions tested, three entries were erroneous, resulting in failure to deduct leave balances valued at approximately \$3,000.00.

If the two queries specifically designed to identify payroll entries that were saved but not submitted had been run, and the identified exceptions researched and resolved, these payroll errors could have been corrected in a timely manner.

Management's validation of payroll is a critical control. Payroll reports that would allow management to identify errors and/or payroll changes (made subsequent to their approval of payroll) were not distributed to those managers after the payroll process. As a result, the payroll errors were not identified.

Recommendation 3A: *The Human Resources Director should expand payroll reporting to include query results in the format of system-generated reports that are routed to at least two levels (one of which should be supervisory) within each department before payroll is finalized.*

Auditee's Response: Do Not Concur. Routing reports up two levels and waiting for feedback isn't feasible as there's not enough time in the payroll schedule. Department timekeepers have the flexibility to run these queries and send to management at their discretion.

Target Implementation Date: Unknown – Part of Citywide Time and Attendance Project

Responsibility: Department timekeepers

Applicable Assistant City Manager: Jay Chapa

Audit Comment: We understand the need for timely processing of payroll, and agree that departments should run available queries. However, the reports would be a valuable compensating control for identifying and correcting errors either before or after payroll is processed. Errors identified after payroll is processed could be corrected during the subsequent pay period, rather than months or years after the errors.

Recommendation 3B: *The Human Resources Director, in conjunction with the Chief Technology Officer, should develop and distribute a report to Department Directors or appropriate designee, each pay period, that summarizes payable time (including overtime) after payroll is run.*

Auditee's Response: Concur. Department timekeepers run the TL Summary and receive a variance/overtime report Tuesday of payroll week. Timekeepers review and send corrections to HR to process before payroll runs. Information from both reports can be shared with management as requested. Query: Audit All EE Pay in a BU will provide information after corrections are processed and payroll has run.

Target Implementation Date: Currently Implemented

Responsibility: Department Timekeepers

Applicable Assistant City Manager: Jay Chapa



Applicable Interim Assistant City Manager: Kevin Gunn

Recommendation 3C: *The Human Resources Director should require that post-payroll reports be emailed to approving managers at the end of each pay period (that list hours and dollars earned for each type of pay, including the different types of overtime).*

Auditee's Response: Concur. Query: Audit All EE Pay in a BU is available to timekeepers and can be distributed to management at their discretion.

Target Implementation Date: Currently Implemented

Responsibility: Department Timekeepers

Applicable Assistant City Manager: Jay Chapa

4. Documentation supporting FWPD officers' jury trial attendance was not located.

The City of Fort Worth has seven courts. Five of the seven courts are downtown and the remaining two are at the Southwest Municipal Court. Police officers attend Court #1 for jury trials on Monday through Friday, and Court #4 for bench trials on Monday through Thursday. Court #1 and Court #4 are both downtown.

Section 406.04 of the FWPD's General Orders states that all overtime requests for court appearances require a completed Court Appearance Verification form. It is the officer's responsibility to forward the form to their supervisor. The supervisor then approves, signs, and submits the form for court overtime compensation. The supervisor forwards a copy of the form to court liaison personnel and retains a copy for filing.



Fort Worth Police Department Court Appearance Verification Form

Officer: [redacted] ID#: [redacted] Emp# [redacted]

Date: 2-21-19 Supervisor: [redacted]

Docket Time: _____ Time In: 4pm Time Out: 4:30pm

Court#: [redacted] Municipal _____ County _____ Other (specify) _____

Fort Worth Police Department Report/Citation# [redacted]

and/or Tarrant County DA reference # [redacted]

Other Officers on Same Summons: _____

Appearance Verified by (Court personnel): [redacted]

First Line Supervisor Signature: [redacted]

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Court Verification Form Instructions

All overtime request for court appearances *shall* have a thoroughly completed **Court Appearance Verification Form**. All Court Verification forms *shall* be reviewed and signed by court personnel (i.e. prosecutors, court clerks, court liaisons, and etc.) upon the officer's appearance in court. Once signed by court personnel it is the officer's responsibility to return the form back to his/her supervisor for their signature, approval, and submission of compensation for court overtime in the ERP payroll system. **Supervisors shall not approve court overtime in the payroll system without a signed Court Appearance Verification form.**

The completed and signed form shall be scanned into a PDF document. A copy shall be forwarded to Court Liaison Personnel and a copy shall be retained by the supervisor. The original will be retained by the employee.

Source: Fort Worth Police Department; Redactions by Internal Audit

Internal Audit selected Pay Period 7 (3/17/2018 to 3/30/2018) of calendar year 2018 for audit testing. A majority of the Court Appearance Verification forms for this test period for Court #4 could not be located by the FWPD.

- 50 of 69 officers (72%) received court overtime, but had no Court Appearance Verification form to support their court attendance.
- 19 of the 69 officers (28%) had Court Appearance Verification forms to support their receipt of overtime pay for court attendance.



The purpose of the verification forms is to ensure that officers receive compensation for duties actually performed. Prosecutors maintain a sign-in log at the court, although the purpose is not to document overtime.

Recommendation 4: *The Police Chief, in conjunction with the Chief Technology Officer and the City Attorney, should consider implementing an automated solution that would replace both the paper signature logs and the Court Appearance Verification forms or ensure that logs and forms are completed and retained.*

Auditee's Response: Concur. The Police department will coordinate with the City's Information Technology Department and City Attorney's Office to develop and implement a process that automates the current paper-based process. An IT project intake form has been submitted and approved. In addition, related policies and procedures will be updated.

Responsibility: PD: Julie Swearingin, Assistant Chief, Michael Shedd, Deputy Chief, C. Leo Luna, Assistant Police Director, Sgt. Monica Martin, Court Liaison

CAO: Laetitia Brown, Sr Asst. City Attorney Sect. Chief, Charlene Sanders, Prosecuting Attorney, Siang Sang, Prosecuting Attorney, Tracey McVay, Administrative Svc. Coordinator, Della Clarke, Legal Assistant

Information Technology Solutions Department: David Melman, IT Consultant

Target Implementation Date: March 2020

Applicable Assistant City Manager: Jay Chapa

5. PeopleSoft was not configured to pay Police Captain overtime consistently.

During testing of overtime reimbursements, Internal Audit identified a PeopleSoft timesheet with reported hours that differed from the corresponding pay advice. When investigating the discrepancy, we determined that FWPD Timekeepers used a manual process to override PeopleSoft, since the system did not consistently process overtime for Police Captains.

HRIS Records Division employees used a manual "flag" within PeopleSoft to configure the Police Captain positions to pay overtime correctly. However, according to a PeopleSoft Systems Administrator, related instructions were obsolete and resulted in the "flag" being inconsistently applied. As a result, overtime hours had to be manually processed, resulting in a PeopleSoft timesheet that differed from the corresponding pay advice.

Due to the discrepancy between time entered and time paid, combined with a manual process that is subject to human error, Internal Audit could not determine whether any Police Captains were underpaid or overpaid. Section 10.06 of the Government Accountability Office's Standards for Internal Control in the Federal Government states that automated control activities are more reliable than manual control activities because they are less susceptible to human error and are more efficient.

The error resulted from the classification of the Police Captain position. The Police Captain position is classified as exempt. However, beginning in 2010, an arbitrator determined that, within the Meet and Confer Agreement, the Police Captain position was eligible for overtime. The City Attorney's Office



indicated that Article 12 of the Meet and Confer Agreement (that was effective from March 26, 2013 to June 1, 2017) was changed to specify that Police Captains were non-exempt for the purpose of earning overtime. This change remains in the current Meet and Confer Agreement that expires in 2020.

Recommendation 5A: *The Chief Technology Officer, in conjunction with the Human Resources Director, should ensure that PeopleSoft is configured so that Police Captains are paid overtime without requiring manual corrections.*

Auditee's Response (HR): Concur. Rule has been written but needs to be tested and deployed.

Target Implementation Date: End of 2019, beginning of 2020

Responsibility: Human Resources & Information Technology Solutions Departments

Applicable Assistant City Manager: Jay Chapa

Auditee's Response (ITS): Concur.

Target Implementation Date: January 10, 2020

Responsibility: Steve Streiffert, Assistant Director

Applicable Interim Assistant City Manager: Kevin Gunn

Recommendation 5B: *The Human Resources Director should require that Human Resources staff work with Police Timekeepers to determine if automated solutions are appropriate for any other corrections being used in lieu of standardized PeopleSoft processes.*

Auditee's Response: Concur. Specific processes haven't been shared with HR but modifications are in process to decrease the amount of payments made from pay lines; i.e. Acting Pay/ECB Acting Pay TRCs. Recommendation will be included as part of the Citywide Time and Attendance project; Discovery Police Department meeting scheduled October 8, 2019.

Target Implementation Date: End of 2019, beginning of 2020

Responsibility: Human Resources & Police Departments

Applicable Assistant City Manager: Jay Chapa

6. Tools used to provide payroll processing guidance were inconsistent and sometimes outdated.

City employees are provided payroll instructions on the City's intranet via three types of training materials:

- simulations that walk employees through transactions, step-by-step;
- job aids that provide a quick reference guide for completing transactions; and,
- a training guide or manual that contains concept information, procedures and screen shots for completing payroll transactions.



However, based on our audit results, instructions on how to remove scheduled hours when an employee has full and partial day absences on scheduled workdays was inconsistent. For example, the simulation directed the user to delete the row within the timesheet. The Basic Timekeepers Handbook directed the user to zero-out scheduled hours on the timesheet.

The Handbook was not detailed in reference to partial day absences. However, the simulation shows that actual punch times should be entered when there are partial day absences on scheduled workdays. A May 24, 2019 Roundup publication (made electronically available to all City employees) re-emphasized that regular hours had to be entered as “0” on a scheduled day to help prevent overpayments.

In addition, the City’s intranet was not updated to provide current contact names for employees who had questions regarding time and labor or absence management. As of June 2019, the two individuals listed as persons to contact, terminated their employment with the CFW in FY2015. Also, the City’s intranet was not updated to provide the current version of the Timekeeper Training Manual. As of June 2019, the effective date of the Timekeeper Training Manual was as of January 1, 2015.

Best practice would dictate written policies and procedures that are up-to-date and consistent. Without such guidance, employees could have an incorrect understanding of processes, which could result in avoidable errors being made without detection.

Recommendation 6: *The Human Resources Director should require that written time and labor guidance be reviewed for accuracy and consistency, necessary corrections made, and the release of revised dated guidance effectively communicated to employees.*

Auditee’s Response: Concur. Timekeeper handbook, PowerPoint presentation and links to Job Aids/Training Materials on the intranet is provided in training classes. Timekeeper handbook will be added to the City’s Intranet website.

Target Implementation Date: Currently implemented; additional training materials: Early 2020

Responsibility: Human Resources Department

Applicable Assistant City Manager: Jay Chapa

7. The basis for paying Firefighters additional holiday pay could not be determined.

Internal Audit identified Fire Department personnel with holiday overtime payments that exceeded our holiday overtime calculations. The additional amounts resulted from a manually-initiated query used to generate additional holiday pay. The value of these payments for FY2018 was approximately \$19,821.00.

Internal Audit was unable to determine the purpose or legal basis for this additional payment. While representatives from the ITS, FMS and HR Departments recalled it being contractually required, they were unable to locate any supporting documentation. Additionally, representatives from the Fire Department were unable to identify any contractual requirement for the additional payment. Internal Audit reviewed the current Collective Bargaining Agreement for the Fire Department and did not locate any contract language that would require the additional payment.

Section 2.1 of the City’s Personnel Rules and Regulations states that it is the policy of the CFW to accurately compensate employees in compliance with all applicable state and federal laws.



Recommendation 7: *The Chief Financial Officer should require that payroll scripts only be processed that are supported by City policy or legal requirements.*

Auditee's Response: Concur. Payroll scripts and processes will only be executed with approval by the Human Resources Department and/or supported by City policy and/or legal or contractual requirements.

Target Implementation Date: Completed

Responsibility: Brian Dickerson, Human Resources Director
John Samford, Assistant Finance Director – FMS Treasury Division

Applicable Interim Assistant City Manager: Kevin Gunn



Acknowledgements

The Department of Internal Audit would like to thank all City departments for their cooperation and assistance provided during this audit.