



Office of Internal Audit

Performance Audit 2022-01 Fire Kronos Implementation

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Provide independent, objective assurance and consulting services designed to add value and improve the City of Fayetteville’s operations.

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TABLE OF CONTENTS

[Highlights..... 1](#)

[Background..... 2](#)

[Findings, Recommendations and Management Responses.....3](#)

[Conclusion.....4](#)

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Fire Kronos Implementation Highlights

Objective:

To determine if payroll processes and associated internal controls were adequate to ensure Fire Department personnel were paid accurately.

Scope:

- Included Fire Department payroll from June 21, 2021 through September 26, 2021 for 38 (11%) active Fire Department personnel for seven pay periods;
- The sample included exempt, non-exempt, firefighters and non-firefighters; and
- Only hours were audited. Payments were not calculated.

Background:

- Kronos, an electronic timekeeping system, was implemented for all City departments during fiscal year 2016, except for the public safety departments.
- According to the Kronos Workforce Management Project Charter created in 2014, the project vision was to consolidate and automate the process of time collection for all city employees.
- The Fire Department used Telestaff, an electronic scheduling system, to schedule, deploy and manage department resources.
- Prior to the Fire Department Kronos implementation, employees' hours worked and leave taken were entered manually into JD Edwards, the City's financial system, from Telestaff reports.

Highlights:

- Work and leave hours were scheduled in Telestaff and imported into Kronos. The hours were then imported into JD Edwards for payment calculations and payment to employees.

Figure 1: Import Process



- No payroll policy existed for the payment of 112 hours each pay period regardless of the hours actually worked.
- Payroll procedures needed updated and an alternate payroll processor needed trained based on current processes.
- A review of payroll information and approval in Kronos was not conducted by an independent party.

Conclusion:

Based on the audit work performed, the Office of Internal Audit concluded overall the implementation was sufficient for employees to be paid correctly, but internal controls could be strengthened.

BACKGROUND

According to the Kronos project charter created in 2014, the project vision was to consolidate and automate the process of time collection for all city employees. The project goals were to:

- Eliminate multiple processes for tracking and recording employee time;
- Begin the practice of positive time recording for all city employees; and
- Eliminate the inefficient manual leave keeping process.

During fiscal year 2016, Kronos was implemented for all City departments, except for public safety departments. The implementation of Kronos for the public safety departments was set for a separate phase of the project.

The Fire Department used Telestaff, for scheduling, deploying department resources, recording hours worked and recording time off. Telestaff had the functionality to automatically create the daily schedule for the department to include matching the employee's qualifications with requirements for each piece of equipment. In addition, Telestaff identified employees to fill vacancies created when employees were on leave. However, Kronos did not have the same scheduling capabilities. Therefore, it was decided that the Fire Department would maintain Telestaff, and the scheduled hours worked and time off would be imported into Kronos from Telestaff. Prior to Kronos implementation, the Fire Department Personnel Technician processed payroll by manually entering hours worked and time off into JD Edwards biweekly using Telestaff reports. With the implementation of Kronos, the manual entry into JD Edwards was no longer necessary.

AUDIT OBJECTIVES

The objective of the audit was to determine if payroll processes and associated internal controls were adequate to ensure Fire Department personnel were paid accurately.

AUDIT SCOPE

The scope of the audit included Fire Department payroll from June 21, 2021 through September 26, 2021. The electronic payroll records for seven pay periods were reviewed for 38 employees (11%) of the 350 active Fire Department personnel. The sample was selected to ensure payroll for all personnel types, exempt, non-exempt, firefighters and non-firefighters, were reviewed. This audit included reviewing hours worked and hours of leave taken. It did not include calculating the amount paid to employees.

AUDIT METHODOLOGY

In order to accomplish the objectives of the audit, the Office of Internal Audit performed, but were not limited to, the following:

- Reviewed applicable written policies, procedures, and guidelines;
- Interviewed Fire, Information Technology and Finance department personnel involved in the Kronos implementation;
- Compared electronic payroll records in Telestaff against information imported into Kronos and JD Edwards;
- Reviewed any additional documentation maintained related to payroll and the implementation of Kronos, and
- Considered the risk of fraud, waste and abuse.

FINDINGS, RECOMMENDATIONS, AND MANAGEMENT'S RESPONSES

Finding 1

Management should strengthen controls for payroll processes.

Criteria: According to the Government Accountability Office's Standards for Internal Control, management should design control activities in response to the entity's objectives and risks. Control activities include but are not limited to policies and procedures, training and review processes.

Condition: Fire Department shift personnel assigned to 24.25 hour rotating schedules were paid 112 hours at regular rate each pay period regardless of the number of hours actually worked¹. Leave time was charged based on the number of hours scheduled to work for that period and not the 112 hours paid. Although, no City policy was provided on the payment of 112 hours each pay period, Internal Audit noted this was the practice since the implementation of JD Edwards in 1995. Since a policy did not exist, this audit and the timekeeping rules implemented for Kronos were based on verbal guidance and historical practices.

The Fire Department discovered discrepancies between information imported from Telestaff to Kronos. When possible system updates were made allowing the information to be imported correctly in the future. When the system could not be updated, additional review processes were put in place with manual corrections made when necessary. Internal Audit noted an independent review of manual corrections was not conducted. In addition, the payroll was not reviewed and approved by an independent party. Although payroll procedures existed, they were not up to date with current payroll processes. It was noted only one employee was trained on the current processes.

Cause: The City did not enforce the importance of policies and procedures, to include maintaining once written.

Based on Internal Audit inquiry, Departmental procedures and training the alternate payroll processor were put on hold until all the discrepancies between the two systems could be identified and corrected. In addition, staffing changes impacted training of the designated alternate payroll processor.

Effect: Without adequate controls, the risk of payroll inconsistencies and errors increases. In addition, without written payroll policies, institutional knowledge could be lost over time.

Recommendation

The Fire Department should:

1. Work with the Human Resource Development Department and the City Attorney's Office and establish written payroll policies.
2. Update and maintain documented payroll procedures to align with current payroll processes. The procedures should be sufficient for alternate employees to process departmental payroll.
3. Designate and train an alternate employee to perform payroll processes.
4. Require a qualified independent employee, conduct a review, which at a minimum should include the manual corrections made, and approve the timecards in Kronos.

Management's Response

The department concurs with the findings and is in full agreement with the recommendations. Now that the transition is nearly complete, the department can codify its practices, aligned with the functionality of the new systems. The department has been made aware of a pending upgrade to the Kronos and Telestaff software platforms that necessitates delay of implementing any new policies until system changes are known. In the interim, the department has requested review of its payroll practices by a third party consultant. The department plans to have its new processes defined by policy no later than June 30, 2022.

¹ Hours worked outside of established shift schedules were paid at time and a half in addition to the 112 hours at regular rate.

The department will continue to maintain alternate staff with the knowledge and ability to process payroll, primarily using the office assistant assigned to the training division.

The department will explore ways to incorporate quality control audits with each bi-weekly payroll process by comparing entries made in the Kronos System to those in TeleStaff. The department understands there will need to be another level of quality control implemented to ensure data from Kronos is accurately transferred into the ERP system once it is operational. This responsibility will fall upon the Deputy Chief of Human Resources with other Chief Officers having the ability to review and approve time cards as needed.

Responsible Party: Deputy Chief of Human Resources

Implementation Date: June 30, 2022

CONCLUSION

Internal Audit has finished work on the audit of the Fire Department Kronos implementation. Based upon test work performed, Internal Audit concluded the implementation was sufficient for employees to be paid correctly, but internal controls could be strengthened.

Although not included in the findings, the payroll information imported into Kronos required manual corrections for hours worked and leave taken to reflect accurately. Internal Audit is aware some manual intervention within Kronos was required city-wide. To determine the extent, Internal Audit will look at the overall number of manual corrections necessary when conducting a city-wide audit of Kronos.

In addition, one of the Kronos project goals was to eliminate multiple processes for tracking and recording employee time. Therefore, Internal Audit recommends the Department to the extent possible establish one complete tracking and recording method that provides appropriate supervisor review and approval; employee's sign off; and includes all hours worked, leave taken, sleep time, and any other time necessary for adhering to FLSA guidelines.

Although the management responses are included in the audit report, Internal Audit does not take responsibility for the sufficiency of these responses or the effective implementation of any corrective actions.

Internal Audit would like to thank Department personnel for their assistance and numerous courtesies extended during the completion of this audit.

Distribution:

Audit Committee

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Michael Hill, Fire Chief