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***POLICE DEPARTMENT PAYROLL FOLLOW-UP  
(A2020-01F)***

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January 2024





**OUR MISSION**

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

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# ORIGINAL REPORT HIGHLIGHTS

## Police Department Payroll (A2020-01)

Original Report Issued:  
August 2020

### Objectives were to determine if:

- Time and attendance information matched authorized supporting documentation and allowed for appropriate audit trail;
- Individual and overall time approval were appropriate;
- Payroll changes were appropriately supported, authorized and verified;
- Hours paid agreed with the supporting documentation and;
- Compensation was in accordance with relevant directives.

### Background

- The City of Fayetteville operates on a bi-weekly pay schedule.
- Payroll prepared by the Police Department consists of one employee who processes the bi-weekly payroll for approximately 520 employees.
- The Police Department uses a manual paper timekeeping system to track time, but standardization of forms and practices followed by Police Department personnel were developed internally and did not clearly capture all time worked.

### Highlights:

- Current timekeeping process within the Police Department created an environment of confusion and duplication of work.
- Incorrect wages were paid to employees due to the use of the summary sheet which also caused inefficiencies and lack of timecard accountability.
- Timecards were submitted before the end of the workweek and revisions were required to reflect hours worked outside of the employee scheduled work hours.
- Paper timecards and summary sheets utilized by police department personnel were not clear on the type of pay being requested (i.e., paid overtime versus compensation accrued). In addition, these forms did not calculate all the hours.
- JD Edwards payroll authorization reports were not reviewed to the payroll source documents to ensure accurate and complete processing which resulted in keying errors causing wages paid to personnel to be incorrect.
- Incorrect payments of Fair Labor Standards Act (FLSA) 207 (k) overtime to law enforcement (sworn/non-exempt) personnel were noted.
- Written departmental operating procedures did not have sufficient controls for accountability or were not in compliance with applicable regulations.
- City personnel involved in the Police Department's payroll process lacked a thorough understanding of all applicable guidelines.
- Exempt departmental personnel were required to complete a timecard only when leave time was taken. However, requested leave time (sick, vacation, holiday or come time) was not consistently documented on timecards or summary sheets. Additionally, the department did not have a formal leave request process.

### WHY THIS MATTERS

Tracking employee's time can increase productivity, provide transparency, and support the City in complying with the Fair Labor Standards Act (FLSA) along with assisting in efficiencies. If the City is unable to track time accurately the City will be in violation of FLSA regulations, incorrect payment of wages to employees are inevitable and legal proceedings against the City are possible.

# Action Since Original Audit Report

## Police Payroll Follow-Up Audit (A2020-01F)



The Office of Internal Audit has completed follow-up on the Police Payroll Audit approved by the Audit Committee on August 6, 2020.

### **Objective and Scope**

Determine whether management implemented corrective actions to the audit recommendations reported by the Office of Internal Audit.

The scope of the follow-up audit was limited to the findings and accepted recommendations in the original audit of Police Payroll.

### **Notice of change in operations:**

The Police Department signed the user acceptance agreement for implementation of Kronos, an electronic timekeeping system, September 30, 2020. As a result, time and attendance tracking was an automated process and the department no longer used paper forms. Employees should be clocking in and out electronically in real time. Therefore, all hours, with the exception of pre-approved time off such as extended medical or military leave, should be submitted after the hours have been worked. Due to this implementation, the Police Payroll process changed rendering some of the original audit recommendations no longer applicable.

### **Summary Results**

**18** recommendations proposed in August of 2020

Internal Audit determined 15 of the 18 recommendations were resolved by implementing Kronos, an electronic timekeeping system. The Finance Department also worked on training for payroll personnel and set aside funds for the Payroll Supervisor to obtain a certification.

Internal Audit continues to recommend:

- Policies and procedures are updated to reflect current processes, are FLSA compliant, and define consequences for non-compliance with formal leave request processes.
- All staff involved in the payroll process are trained in all aspects of payroll policies and operating procedures.
- The Police Department Personnel Technician should report to a position with expertise in business processes and internal controls.
- Provide the Payroll Manager with the funding and opportunity to obtain a payroll certification.



FULLY  
IMPLEMENTED OR  
NO LONGER  
APPLICABLE

15



PARTIALLY  
IMPLEMENTED

2



NOT  
IMPLEMENTED

1

**Finding 1- A manual timekeeping process was used which included unnecessary work; ultimately caused payroll errors and impacted timekeeping records.**

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| <b>Recommendation 1.1</b>          | The office of Internal Audit recommends the Police Department, to include E-911, consult with the Finance Department on streamlining the manual timekeeping and payroll processes to include eliminating the summary sheets and use timecards to enter the time and attendance into JD Edwards with the end goal of moving towards implementing an automated time and attendance system. |
| <b>SUMMARY OF ORIGINAL FINDING</b> |  |
| <b>CURRENT OBSERVATION</b>         | <a href="#">See notice of change in operations on page 2.</a>  |
| <b>DETERMINED STATUS</b>           | <b>NO LONGER APPLICABLE</b>  |

**Finding 2- Paper timekeeping forms lacked clarity causing payroll processing errors.**

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| <b>Recommendation 2.1</b>          | Require employee and supervisor signatures and dates signed on all timekeeping forms. |
| <b>SUMMARY OF ORIGINAL FINDING</b> |   |
| <b>CURRENT OBSERVATION</b>         | <a href="#">See notice of change in operations on page 2.</a>                         |
| <b>DETERMINED STATUS</b>           | <b>NO LONGER APPLICABLE</b>   |

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| <b>Recommendation 2.2</b>          | Consult with the Finance Department to create department-wide standardized timekeeping forms that at a minimum capture all time worked to include court time, compensatory time and overtime earned, scheduled hours and leave taken. This change will ensure consistency of documentation supporting timekeeping within the department. If the department deviates from approved standardized timekeeping forms, authorization should be obtained from the Finance Department. |
| <b>SUMMARY OF ORIGINAL FINDING</b> |   |
| <b>CURRENT OBSERVATION</b>         | <a href="#">See notice of change in operations on page 2.</a>   |
| <b>DETERMINED STATUS</b>           | <b>NO LONGER APPLICABLE</b>   |

**Finding 3- Processing hours worked in the incorrect 28-day FLSA period caused errors in pay.**

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| <b>Recommendation 3.1</b>          | Require timecards be submitted only after all hours have been worked for the pay period. |
| <b>SUMMARY OF ORIGINAL FINDING</b> |  |
| <b>CURRENT OBSERVATION</b>         | <a href="#">See notice of change in operations on page 2.</a>                            |
| <b>DETERMINED STATUS</b>           | <b>NO LONGER APPLICABLE</b>  |

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| <b>Recommendation 3.2</b>          | Coordinate with the Finance Department to implement a process that will ensure FLSA 207 (k) overtime is paid correctly for all prior period work hours.   |
| <b>SUMMARY OF ORIGINAL FINDING</b> |   |
| <b>CURRENT OBSERVATION</b>         | Changes in payroll processes due to the implementation of the electronic timekeeping system made this recommendation obsolete for the Police Department.<br><br>The Finance Department process for FLSA 207(K) overtime calculation will be addressed in the Police Kronos Implementation Report. |
| <b>DETERMINED STATUS</b>           | <b>NO LONGER APPLICABLE</b>   |

#### Finding 4 – Payroll authorization reports from JD Edwards were not reviewed to timecards.

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| <b>Recommendation 4.1</b>          | The Police Department to include E-911, should ensure a qualified independent employee, with a complete understanding of payroll consistently review every payroll period, all JD Edward Payroll authorization reports back to the source documents (timecards) before payroll is submitted to the Finance Department Payroll Division for processing. Operating Procedure 10.2 Personnel and Payroll should be updated accordingly. |
| <b>SUMMARY OF ORIGINAL FINDING</b> |  |
| <b>CURRENT OBSERVATION</b>         | <a href="#">See notice of change in operations on page 2.</a>  |
| <b>DETERMINED STATUS</b>           | <b>NO LONGER APPLICABLE</b>  |

#### Finding 5 – Payroll departmental operating procedures required updating to ensure FLSA compliance and clear guidance for all personnel.

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| <b>Recommendation 5.1</b>          | Establish a central recordkeeping location for all payroll related records and identify departmental position(s) responsible to ensure payroll records are complete and archived.  |
| <b>SUMMARY OF ORIGINAL FINDING</b> |  |
| <b>CURRENT OBSERVATION</b>         | With the implementation of the Kronos timekeeping system, the department no longer used paper timesheets. If a new employee was not in the Kronos system, a timecard was emailed to the Payroll Office in the Finance Department and maintained in Laserfiche by the Payroll Office. |
| <b>DETERMINED STATUS</b>           | <b>IMPLEMENTED</b>   |

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| <b>Recommendation 5.2</b>          | Review all current written departmental operating procedures related to Personnel and Payroll with the Human Resource Development Department and the City Attorney’s Office to ensure compliance with the FLSA.   |
| <b>Recommendation 5.3</b>          | Document an approval process for overtime within the departmental operating procedures, to include a consideration for equitable treatment of overtime.   |
| <b>Recommendation 5.4</b>          | Update departmental operating procedures to align with current practices, to include criteria for when overtime is allowed versus earning compensatory time.  |
| <b>SUMMARY OF ORIGINAL FINDING</b> |   |
| <b>CURRENT OBSERVATION</b>         | Implementation of the electronic timekeeping system addressed the concerns in the original audit report on accountability for maintaining payroll documentation, supervisory approval and earning overtime versus compensatory time. In addition, the Department removed the wording in the operating procedures that implied employees were only allowed to be paid 8 hours per day or 40 hours per week for training regardless of the number of hours spent in training. |
| <b>DETERMINED STATUS</b>           | <b>IMPLEMENTED or NO LONGER APPLICABLE</b>  |

**Finding 6 – Comprehensive training was not provided to personnel involved in the timekeeping and payroll process.**

AREA OF RESPONSIBILITY: POLICE DEPARTMENT

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| <b>Recommendation 6.1a</b>         | Management should consider creating and hiring an accounting manager position with the expertise in business processes and internal controls to oversee the Personnel Technician position and assist in developing, implementing, and evaluating the necessary payroll controls to improve efficiency and ensure compliance with applicable guidelines. Although additional personnel are costly, the City could be fined for FLSA violations and due to the Department’s payroll expenditures for Fiscal year ending 2019 of \$40.1 million, the fines could be costly. |
| <b>SUMMARY OF ORIGINAL FINDING</b> |  |
| <b>CURRENT OBSERVATION</b>         | A Police Administrative Services Manager position was created. However, the position was not used for the recommended purpose. The personnel technician never reported to this position.   |
| <b>DETERMINED STATUS</b>           | <b>NOT IMPLEMENTED</b>   |

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| <b>Recommendation 6.2a</b>         | Management needs to ensure the Personnel Technician and an alternate employee are thoroughly trained and have a clear understanding of all applicable guidelines.                  |
| <b>SUMMARY OF ORIGINAL FINDING</b> |  |
| <b>CURRENT OBSERVATION</b>         | The Personnel Technician's Supervisor provides backup for payroll related tasks within the Police Department. However, neither have been thoroughly trained on updated procedures. |
| <b>DETERMINED STATUS</b>           | <b>PARTIALLY IMPLEMENTED</b>   |

AREA OF RESPONSIBILITY: FINANCE DEPARTMENT

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| <b>Recommendation 6.1b</b>         | Management should coordinate with the Human Resource Development Department to develop comprehensive timekeeping and payroll training. The training should include applicable FLSA regulations, City policy and procedure manuals, and how to process time and attendance for payroll purposes.   |
| <b>Recommendation 6.2b</b>         | Management should ensure all payroll preparer and reviewers take training developed prior to assuming the respective duties and should be required to take a refresher training annually.   |
| <b>Recommendation 6.3</b>          | Management should coordinate with the Human Resources Development Department to provide the Police Department training on timekeeping and FLSA 207 (k) overtime. Training for new employees should be a part of on-boarding and provided by a qualified employee.   |
| <b>SUMMARY OF ORIGINAL FINDING</b> |   |
| <b>CURRENT OBSERVATION</b>         | <p>Prior to the implementation of the electronic timekeeping system, training documents were developed by the Finance Department and provided to the Police Department.</p> <p>In addition, the Information Technology Department provided job aids and videos for all City employees on the electronic timekeeping system.</p> <p>The Finance Department is in the process of developing written training procedures for all payroll tasks. Current training consists of observation, note taking and performance of duties.</p> |
| <b>DETERMINED STATUS</b>           | <b>IMPLEMENTED or NO LONGER APPLICABLE</b>  |



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| <b>Recommendation 6.4</b>          | Management should designate funding for the payroll supervisor to obtain a Payroll Certification and allow the payroll supervisor to obtain this certification.   |
| <b>SUMMARY OF ORIGINAL FINDING</b> |   |
| <b>CURRENT OBSERVATION</b>         | Funding was set aside for the Payroll Supervisor to obtain a Payroll Certification in FY22 and FY23 as recommended. However, due to turnover in staffing within the Payroll Office, the certification was not obtained. It is still recommended the payroll supervisor obtain this certification. |
| <b>DETERMINED STATUS</b>           | <b>IMPLEMENTED</b>  |

**Finding 7 – Processing timecards for law enforcement personnel on a 2-week basis would improve efficiency.**

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| <b>Recommendation 7.1</b>          | The Office of Internal Audit recommends management collaborate with the Finance Department on the current timekeeping and payroll processes to improve the efficiency which should reduce the errors of employee wages and ensure hours worked are accurately and consistently documented in JD Edwards as reflected on timecards. However, time worked for non-exempt/non-sworn personnel should be maintained on weekly timecards and entered on a 1-week basis. |
| <b>SUMMARY OF ORIGINAL FINDING</b> |  |
| <b>CURRENT OBSERVATION</b>         | <a href="#">See notice of change in operations on page 2.</a>  |
| <b>DETERMINED STATUS</b>           | <b>NO LONGER APPLICABLE</b>  |

**Finding 8 – There was no assurance exempt personnel were reporting leave time.**

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| <b>Recommendation 8.1</b>          | The Office of Internal Audit recommends the Police Department, to include E-911, consult with the Human Resources Department on a formal leave request process to ensure leave time is reported. Although an automated time and attendance is being implemented, consequences for non-compliance should be clearly defined in written departmental operating procedures. |
| <b>SUMMARY OF ORIGINAL FINDING</b> |  |
| <b>CURRENT OBSERVATION</b>         | All leave requests should be submitted through the electronic timekeeping system. However, departmental procedures have not been updated to provide guidance on the leave reporting process or the consequences for not reporting leave taken.   |
| <b>DETERMINED STATUS</b>           | <b>PARTIALLY IMPLEMENTED</b>   |