
***KRONOS IMPLEMENTATION - POLICE
(A2022-02)***

January 2024





OUR MISSION

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

Internal Audit Director

Rose Rasmussen, CIA

Senior Internal Auditor

Christina Zimmerman, CFE

Internal Auditor

Kathleen Johnson

TABLE OF CONTENTS

[Report Highlights..... 1](#)
[Background..... 2](#)
[Results..... 3](#)

REPORT HIGHLIGHTS

Kronos Implementation- Police (A2022-02)

Objective

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

Background

- The City implemented an electronic timekeeping system, Kronos Workforce Central for the Police Department.
- The implementation of Kronos resulted in the Police Department payroll process moving from a predominantly manual paper process to an electronic, more automated timekeeping system.
- A second update to the digital timekeeping system occurred when Kronos Workforce Dimensions was implemented for all city departments, effective February 13, 2023.

Highlights:

- Implementation of the electronic timekeeping system relieved the Police Department of the cumbersome task of manually processing paper timecards for all department staff.
- Payroll operating procedures were not updated to reflect current processes.
- Supervisors entered leave for employees that did not follow the cascade order required by City policy.

WHY THIS MATTERS

Implementation of new software comes with the risk of negative impacts on City resources and operations if the implementation is executed incorrectly. An analysis of the steps taken during configuration and implementation helps identify any defects that should be addressed to ensure systems are operating as intended.

In addition, payroll is the largest annual expenditure for the Police Department and requires compliance with the Fair Labor Standards Act (FLSA). According to the U.S. Department of Labor, employers who willfully or repeatedly violate the minimum wage or overtime pay requirements are subject to a civil money penalty of up to \$1,000 for each such violation.

In Fiscal Year 2023,
Police Department
payroll expenditures
represented 81%
(\$49.2 million)¹ of total
expenditures.

¹This number may not reflect total actuals for fiscal year 2023 as the Finance Department was still in the process of closing out the fiscal year when this audit was completed.



Kronos Implementation – Police (A2022-02)

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 manual processing of employee leave taken.

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 City of Fayetteville Information Technology Department implemented Kronos Workforce Central for the Police Department in 2020. All City departments went live with another version of the electronic timekeeping system, Kronos Workforce Dimensions, effective February 13, 2023. The implementation of Kronos brought about significant change in the payroll process for all City departments. This included moving from a cumbersome paper timekeeping process to an electronic process requiring less manual manipulation.

OBJECTIVE

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

AUDIT SCOPE

The scope of this audit included Police Department payroll records for six regular pay periods and three Fair Labor Standards Act (FLSA) processing periods occurring from January to July 2023. The sample included a mix of 55 exempt, non-exempt, sworn, and non-sworn staff members who were in active regular status prior to January 2, 2023. The audit included a review of the total leave types and hours worked but did not include manual calculation to verify amounts 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;
- Reviewed Kronos testing and implementation procedures;
- Interviewed Police, Information Technology and Finance Department personnel involved in the Kronos implementation;
- Compared electronic payroll records in Kronos against information imported into JD Edwards; and
- Considered the risk of fraud, waste, and abuse.

RESULTS:

Finding 1 – Discretionary time off did not always follow the cascade order required by City policy.

Criteria	The City of Fayetteville Employee Relations Policy/Procedure Manual, Section 5.F and the Human Resource Development Benefits Manual Article V Section 1.G required employees to use accrued discretionary time off in the following cascade order: first accrual is any available holiday banked hours, second will be compensatory time and third is vacation.
Condition	Supervisors were not using the ‘Time Off’ pay code when entering or updating time off on behalf of employees. The ‘Time Off’ rule was designed to follow the City’s mandatory cascade order when using leave time. If a supervisor was selecting any other option when entering time off for an employee, the cascade order was being circumvented.
Cause	Supervisors were not restricted to only using ‘Time Off’ for leave that should follow the cascade order. In addition, videos and jobs aids for Kronos, and departmental operating procedures did not instruct supervisors to use the ‘Time Off’ pay code when entering or updating leave for their employees.
Effect	The cascade order was established to reduce the City’s liability created from employees banking their holiday and compensatory hours and receiving large unbudgeted payouts when they left employment with the City.
Recommendation	The Police Department management should establish written operating procedures to include: <ol style="list-style-type: none">1. Procedures for the Personnel Technician position to include specific direction on the processing of payroll within the Kronos system. The procedures should contain detailed instructions to enable an alternate employee to perform payroll processes.2. The proper way for supervisors to enter and update leave in the Kronos system on behalf of the employees to allow the system to apply the correct cascade order.

MANAGEMENT’S RESPONSE

We concur. Management is in full agreement with the recommendation. The recommendations would create a uniform way in which we enter time off that complies with city policy.

Responsible Party: Major Lee Hicks, Chief of Staff

Implementation Date: July 1, 2024

Conclusion:

Internal Audit has concluded work on the Police Kronos Implementation Audit. Based upon test work performed,

Internal Audit concluded employees were paid the correct number of hours worked. However, an opportunity exists within the Police Department for the establishment of standard operating policies and procedures regarding the processing of payroll.

To further support the implementation of this recommendation, a management letter, dated December 18, 2023, was sent to the Finance Department to establish formal written procedures and develop training on the process supervisors must follow for entering and updating leave in Kronos in reference to the cascade rule.

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.