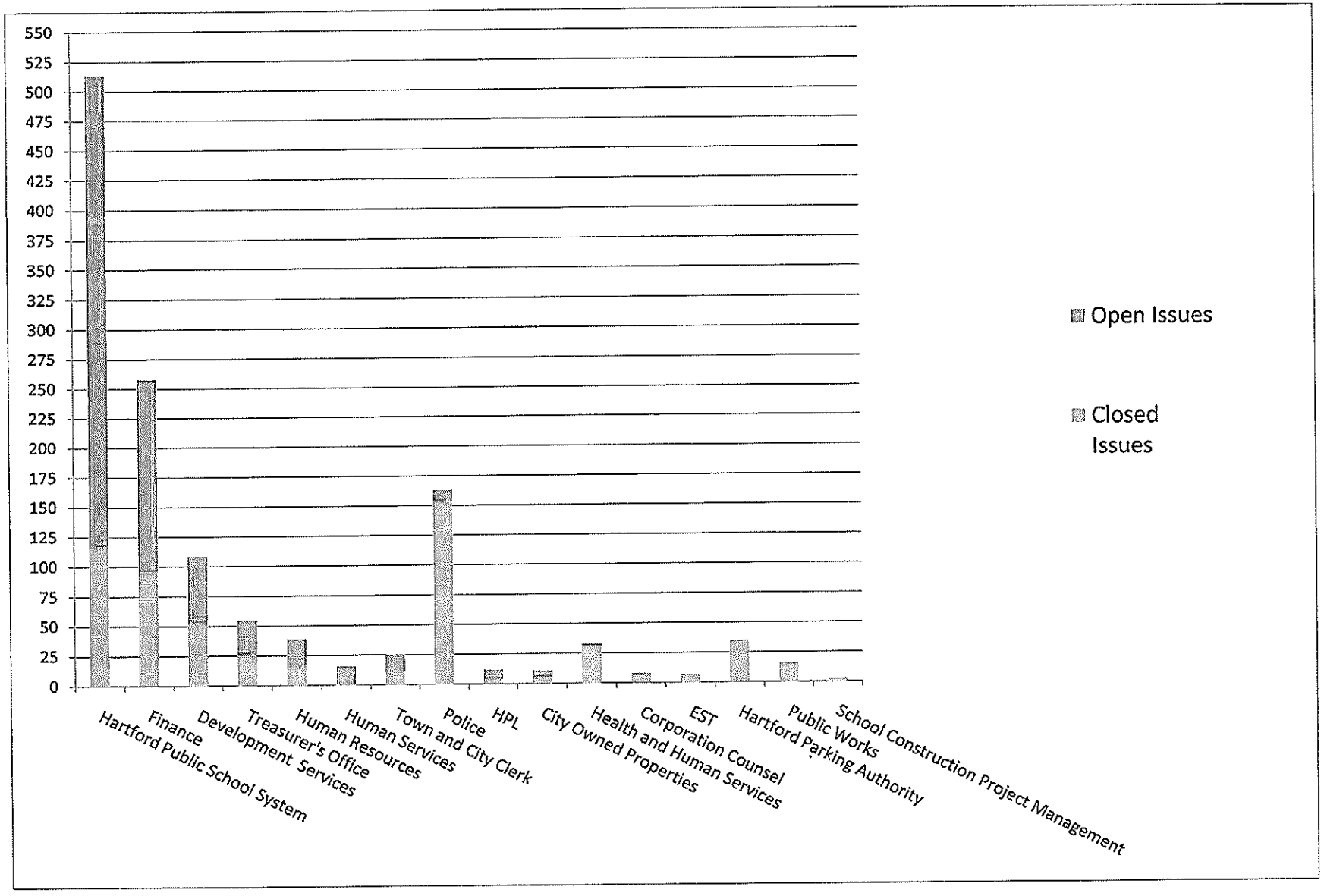
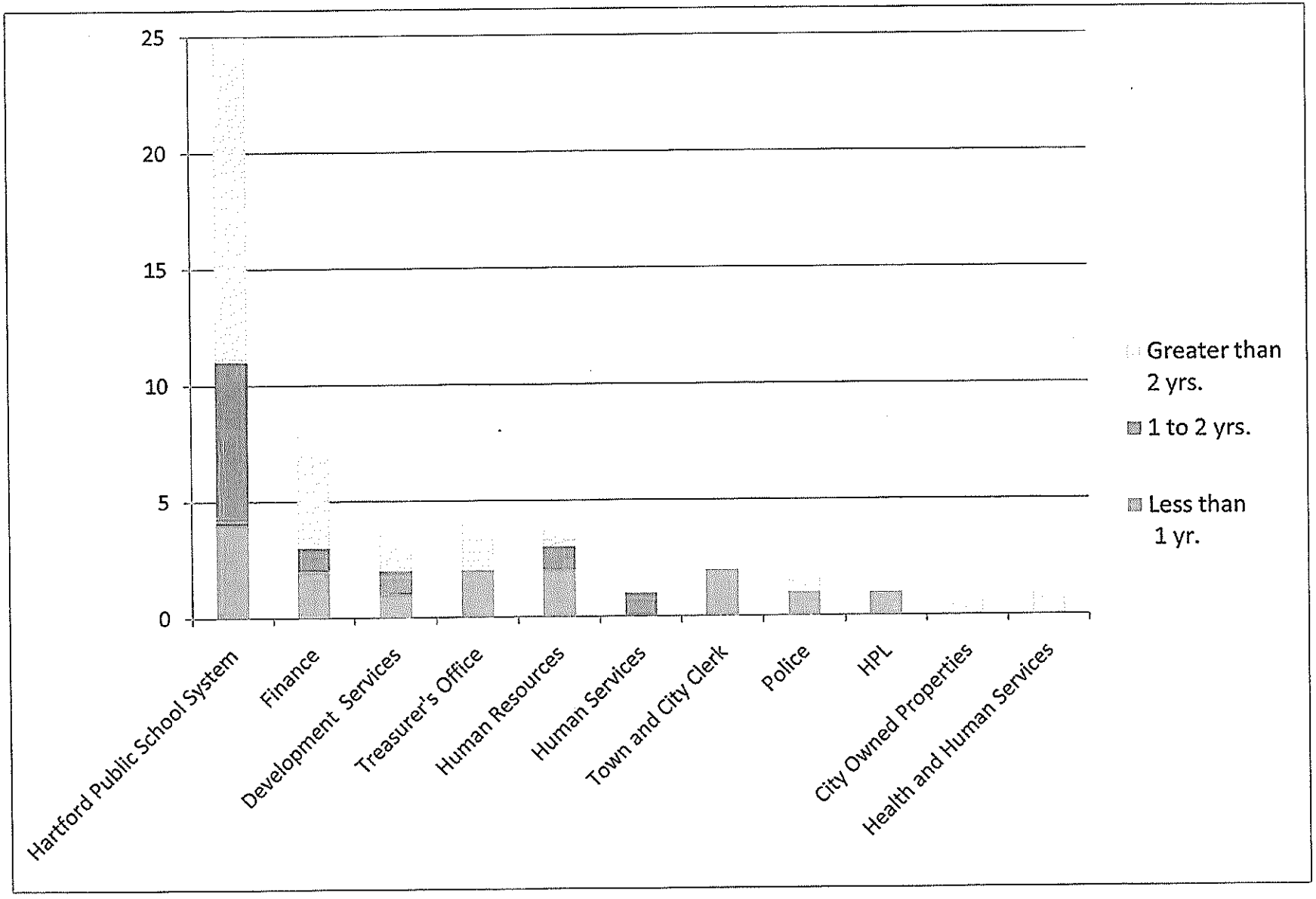
Internal Audit Department
Cumulative Summary of Open and Closed Audit Issues by Organization
as of Q1 FY 11-12

ORGANIZATION	Cumulative # Audits	Audit Issues	Closed Issues	Open Issues	% Open	% of All Open Issues	# of Open Audits (Audits with Open Issues)
Hartford Public School System	28	514	117	397	77.2%	54.7%	25
Finance	11	258	96	162	62.8%	22.3%	8
Development Services	4	109	52	57	52.3%	7.9%	4
Treasurer's Office	4	55	26	29	52.7%	4.0%	4
Human Resources	4	39	15	24	61.5%	3.3%	4
Human Services	1	16	0	16	100.0%	2.2%	1
Town and City Clerk	3	25	10	15	60.0%	2.1%	2
Police	5	163	153	10	6.1%	1.4%	2
HPL	2	12	4	8	66.7%	1.1%	1
City Owned Properties	1	11	5	6	54.5%	0.8%	1
Health and Human Services	4	33	31	2	6.1%	0.3%	1
Corporation Counsel	1	8	8		0.0%	0.0%	
EST	1	7	7		0.0%	0.0%	
Hartford Parking Authority	1	35	35		0.0%	0.0%	
Public Works	1	16	16		0.0%	0.0%	
School Construction Project Management	1	3	3		0.0%	0.0%	
TOTAL -	72	1304	578	726		100.0%	53

Internal Audit Cumulative Open and Closed Issues by Organization as of Q1 FY 11-12



Aging of Internal Audit Cumulative Open Audits by Organization
(based on Year of Audit Report issuance)
as of Q1 FY 11-12



Date: September 30, 2011 **To:** Paula Altieri, Chief Financial Officer, Hartford Public School System **From:** H. Patrick Campbell, Chief Auditor **Tele:** 860.757.9951 *HPC*		**Hartford Public School System** **Financial Management Department** **Payroll Accounts and Operations Audit** **Report 1201**

I. EXECUTIVE SUMMARY

In accordance with our audit plan for the fiscal year ending June 30, 2011, we completed an audit in June 2011 of the Hartford Public School System Financial Management Department Payroll Accounts and Operations. The purpose of the examination was to evaluate and test internal accounting and operating controls, the accuracy and propriety of transactions processed, the degree of compliance with established operating policy and procedures, and to recommend improvements where required. The results of our examination were reviewed with P. Altieri, Chief Financial Officer; M. Colman, Senior Director; J. Lippitt, Payroll Manager; and, other responsible members of operating management. The summary which follows includes only exceptions disclosed and recommended operating improvements. Management has also noted actions taken or planned including timeframes to resolve each finding and/or recommendation in this report. We thank the Financial Management Department management and staff for their cooperation and courtesies extended to us during our audit.

Background

The Payroll Unit of the Financial Management Department (FMD) is responsible for processing payrolls for the Hartford Public School System. This includes the administration of a bi-weekly payroll for approximately 3,900 full-time, part-time and temporary/seasonal employees. The Payroll Unit (Payroll) consists of a manager and four full-time employees. Payroll, school and other operating unit employees enter transactions from timesheets, in the Payroll module of the MUNIS Financial Management System. At the end of each payroll cycle, direct deposits are made to employee bank accounts or checks are generated and distributed to employees. During the calendar year ended December 31, 2010, the Hartford Public School System payroll expense totaled more than $206 million.

General

We are pleased to report that extensive tests disclosed the Payroll Unit operations to be generally satisfactory. As indicated in the details that follow, however, we did note that certain key payroll related policies, procedures and controls were not documented and/or needed improvement. This included, but was not limited to, policies and procedures relating to accounting for and recording time and attendance, identifying and following-up on negative accrued vacation, sick, personal and other types of time off, maintaining security and access to the Payroll module and identifying and following-up on overpayments. We also noted that employee time off is not always being recorded in MUNIS by school based

administrators as required. We found that 31 sick or personal days were not recorded in MUNIS during our test period at one school. Based on the salaries of the individuals involved, we estimated that this resulted in more than $11,000 in unrecorded benefits paid to the employees involved.

Scope

The scope of our review included examinations of payroll accounts, operations and transactions processed for the calendar year ended December 31, 2010. The following detailed audit procedures and tests were performed:

- Reviews and evaluations of policies, procedures and controls;
- Tests of regular and overtime pay;
- Tests and reviews of other pay categories;
- Tests and reviews of payroll related employee reimbursements; and
- Tests and reviews of security and access to the MUNIS Financial Management System.

II. Detail Findings

Various tests, noted in the scope section above, and reviews of related operations disclosed the following:

Payroll Processing

Various tests of HPSS payroll transactions totaling more than $750,000 made during the calendar year ended December 31, 2010, cursory reviews of an additional $200 million in payroll expenses incurred during this period and reviews of related operations disclosed the following:

1. Policies, procedures and controls relating to the following key payroll operation functions and processes were either not documented or needed improvement.
    a. School based payroll processes including the use of standardized forms and transaction review and approval requirements.
    b. Identifying, following-up on and resolving old outstanding payroll checks. As of December 31, 2010, there were 631 outstanding HPSS and City payroll checks totaling more than $500,000.
    c. Calculating, documenting, reviewing and approving accrued vacation and sick time payouts. During the fiscal year ended June 30, 2010, HPSS made 92 payouts totaling more than $2.0 million to employees for accrued sick and vacation days.

d. Identifying, tracking and recovering payroll overpayments. During the calendar year ended December 31, 2010, HPSS processed 130 overpayment recoveries totaling more than $32,700.

e. Requesting, approving and processing manual checks. During the calendar year ended December 31, 2010, the Payroll Unit produced more than 540 manual checks totaling more than $770,000.

f. Accounting for and recording employee time and attendance.

g. Identifying, following-up on and resolving negative sick and vacation time balances in MUNIS.

h. Administering security and access to the MUNIS Payroll module.

Documenting policies, procedures and controls, in narrative form, for key processes and functions is a basis for a sound internal control environment; ensuring the efficiency, effectiveness, consistency and continuity of operations; and, providing management with a baseline for evaluating day-to-day activities and employee performance. We issued a separate memorandum to FMD management detailing policy, procedure and control issued identified and related recommendations. We recommend that FMD management document policies, procedures and controls for initiating and processing payroll related transactions. This should include developing and implementing standardized forms with review and approval requirements.

Management Action Plan

Due Date: December 31, 2011
Responsible Person: P. Altieri, Chief Financial Officer, Hartford Public School System

FMD will document policies and procedures as noted above including those identified in the separate procedural memorandum.

2. Vacation, sick and other types of employee time off are not being properly accounted for in MUNIS. We noted that although the hours for vacation, sick and other types of employee time off are being recorded in MUNIS, the related dollar amounts associated with the hours are not being recorded. The dollars associated with the hours recorded for vacation, sick and other types of time off are being allocated to the regular pay code. As a result, the dollars associated with the regular pay code are significantly overstated and the dollars associated with vacation, sick and other types of employee time off are understated and, as previously noted, have zero balances. According to FMD management, this has been a problem since the MUNIS Payroll module was implemented in 2008 and is primarily due to the way HPSS employee daily and hourly rates are being accounted for and recorded. We recommend that FMD management work with Metro Hartford Information Services (MHIS) to determine if there have been any enhancements to MUNIS that would facilitate changing how vacation, sick and other employee time-off is being accounted for so that the dollar amounts are associated with the respective hours of time-off recorded and not accounted for as dollars associated with regular time.

Management Action Plan

Due Date: December 31, 2011
Responsible Person: P. Altieri, Chief Financial Officer, Hartford Public School System

FMD will work with Metro Hartford Information Services (MHIS) to determine if there have been any enhancements to MUNIS that would facilitate changing how vacation, sick and other employee time-off is being accounted for so that the dollar amounts are associated with the respective hours of time-off recorded and not accounted for as dollars associated with regular time.

3. Policies, procedures and controls needed improvement and were not documented for identifying, following-up on and resolving negative sick and vacation time balances in MUNIS. MUNIS automatically accrues vacation, sick, personal and other time earned by employees. When employees use vacation, sick and personal time, the accrued balances are reduced accordingly. At the time of our review, 20 active employees had over 450 hours of negative accrued vacation, sick and personal time balances in MUNIS. Negative accrual balances can result from an employee using more time off than has been earned and accrued or from recording errors. According to FMD management, about 315 of the negative accrual balances noted above were the result of timekeeping recording errors. The remaining 135 hours resulted from employees using more time-off than they earned. This included one employee who used 87 hours of sick time more than they had earned and accrued. This employee subsequently terminated employment with HPSS and the approximately $970 in overpaid sick time was not identified and recovered at the time of our review. We recommend that FMD management take action to follow-up on and correct the negative accrual balances noted above. After we brought this matter to the attention of the Payroll Unit, they took immediate action to follow-up and recover the $970. We also recommend that FMD management develop, document and implement policies, procedures and controls for periodically reviewing employee accrued time balances in MUNIS and following up on and resolving any negative balances identified in a timely manner.

Management Action Plan

Due Date: December 31, 2011
Responsible Person: P. Altieri, Chief Financial Officer, Hartford Public School System

FMD will take action to follow-up on and correct the negative accrual balances noted above. After we brought this matter to the attention of the Payroll Unit, they took immediate action to follow-up and recover the $970. FMD will also develop, document and implement policies, procedures and controls for periodically reviewing employee accrued time balances in MUNIS and following up on and resolving any negative balances identified in a timely manner.

Time and Attendance

HPSS uses MUNIS to account for employee time and attendance. The HPSS Payroll process is decentralized with designated employees from each of the 50 schools and various Central Office operating units responsible for entering attendance information recorded on timesheets and other documentation sources in MUNIS. As previously noted, a majority of HPSS employees are school-based including teachers, custodians and administrative support staff. The primary method used to account for and control school-based employee attendance and time worked is sign-in sheets. Information from the sign-in sheets is used to create attendance records on "Calendar Cards", which are subsequently used to input attendance information in MUNIS. Various tests of the processes used to account for and record HPSS employee time and attendance and reviews of related operations disclosed the following:

1. Policies, procedures and controls used to account for and record HPSS employee time and attendance were not documented and needed significant improvement. According to FMD management, a majority of time and attendance recordkeeping is handled at the school level and can be difficult to control. We recommend that FMD management review, improve and document policies, procedures and controls used to account for and record HPSS employee time and attendance and work with school principals and support staff to improve the efficiency and effectiveness of these processes.

2. Overall, we found that the process used to account for employee time and attendance is ineffective and inefficient. We noted that it is manually intensive, time consuming and prone to errors and omissions.

3. Various tests of the sign-in sheets for a five month period at one school and reviews of related attendance records and operations disclosed the following:

   a. Employee time off is not always being recorded in MUNIS as required. We found that 31 sick or personal days were not recorded in MUNIS during our test period. Based on the salaries of the individuals involved, we estimated that this resulted in more than $11,000 in unrecorded benefits paid to employees at this school. We found instances where absences were not recorded on the Calendar Cards and/or not recorded in MUNIS. Because the process used to account for and record employee time and attendance is essentially the same at all the other schools and locations, we believe that there is a significant potential for financial losses due to unrecorded time off district-wide. Using a conservative basis of only 25% of the losses identified at the school we tested, we estimated that the annual financial losses due to unrecorded time off at all 50 schools could exceed $250,000 per year. It should also be noted that this does not include the potential for similar problems with the recording of attendance for Central Office staff.

   b. The reasons for employee absences are not being recorded on the sign-in sheets. It was not clear from the sign-in sheets if an employee was sick, on vacation or personal leave or absent for another reason when their respective initials were not recorded on a sign-in sheet. In addition, there were instances where employees did not sign-in for an extended period of several days or more with no corresponding time-off recorded in MUNIS. We were informed by school site management that these employees did not initial the sign-in log because they were working outside the school. This was not clear from any available documentation.

   c. To accommodate and account for employees who arrive early prior to the official sign-in sheet being made available; employees who arrive on time; or, employees who arrive late after the official time sheet is removed at the beginning of the school day, there are three

sign-in sheets. This makes it difficult to and more cumbersome to account for and record employee attendance. We noted that for a number of days during our test period, the late attendance sign-in sheet could not be located because it was either lost or misplaced. As a result, we were unable to verify that related attendance information was complete and accurate and recorded in MUNIS for these days. Ideally, there should be only one official sign-in sheet. We believe that this could be accomplished by requiring employees who arrive early to return to and initial the sign-in sheet once it has been placed out for use. In addition, employees who arrive late after the sign-in sheet has been removed should be required to go to the Central Office to initial the sign-in sheet with their arrival time. This would eliminate the need for three separate sign-in sheets and allow for management to more easily track and account for employee attendance and tardiness.

d. During our review of the sign-in sheets, we noted that one employee was regularly signing-in for another employee. This is inappropriate for a number of reasons and should be discontinued. This is also an indicator of ineffective controls over the current process used to account for and control employee time and attendance. Management should notify employees in writing that this is not allowed and will result in disciplinary action if identified in the future.

e. For each substitute teacher assignment, there should be a corresponding absence recorded in MUNIS for the teacher who is being replaced. We identified many of the unrecorded absences noted above by tracing entries on the Substitute Teacher Sign-In Log to entries, or the lack there of, recorded in MUNIS for the teachers they were assigned to replace. This would be one method management can and should use to ensure that employee time and attendance is being properly accounted for and recorded throughout the process.

f. Timekeepers are responsible for updating and maintaining their own payroll and time and attendance records in MUNIS. This creates a lack of a segregation of duties. In addition, there is no procedure or related process for someone independent of the timekeepers to perform reviews to ensure that timekeepers are properly updating and maintaining their own payroll and time and attendance records.

g. Timekeepers currently account for and record entries in the MUNIS Payroll module on a weekly basis. This requires them to go back and reconcile and account for transactions and activity for numerous employees for up to five days. We believe that it could be more effective and efficient for timekeepers to record data in the MUNIS Payroll module on a daily basis by being able to identify and resolve potential issues on a more current basis.

We were informed by FMD management that HPSS is currently looking to purchase and implement a time and attendance system to replace and improve the current process. We recommend that FMD management develop, document and implement policies procedures and controls relating to accounting for and recording HPSS employee time and attendance. This should include policies, procedures and controls for both timekeepers and employees and address the procedural and controls issues noted above. We also recommend that FMD management work with school management to ensure that the 31 unrecorded absences noted above are accounted for properly and consider doing a comprehensive review of time and attendance at each school to identify and correct any other unrecorded employee absences. FMD management informed us that they believe that the new time and attendance system should help to resolve a number of the issues noted above.

Management Action Plan

Due Date: December 31, 2011
Responsible Person: P. Altieri, Chief Financial Officer, Hartford Public School System

As previously noted HPSS is currently looking to purchase and implement a time and attendance system to replace and improve the current process. FMD will also develop, document and implement policies procedures and controls relating to accounting for and recording HPSS employee time and attendance. This will include policies, procedures and controls for both timekeepers and employees and address the procedural and controls issues noted above. In addition, FMD will work with school management to ensure that the 31 unrecorded absences noted above are accounted for properly and consider doing a comprehensive review of time and attendance at each school to identify and correct any other unrecorded employee absences.

Pay Code Analysis

Each type of pay, including regular, overtime, vacation and sick, has its own separate pay code in the Payroll module of MUNIS. During the calendar year ended December 31, 2010 more than $206 million was paid through 260,326 transactions in 162 pay codes. Various tests of the payment transactions in various pay codes and reviews of related operations disclosed the following:

1. There is no summary detailing all pay codes and the types of pay that are appropriate to be charged to each pay code. This increases the possibility of certain pay being charged to the wrong pay code. This is especially true in a decentralized Payroll operation. We recommend that FMD management develop and document a detail summary of all pay codes and the types of pay that are appropriate to be charged to each pay code for use by timekeepers when processing payrolls.
2. There are a number of pay codes that are rarely used. We noted that 28, or about 17%, of the 162 pay codes were used to process ten or less transactions per year. Fifteen of the 28 pay codes were used only one or two times. For instance, Part-Time Hourly was used to process only one transaction totaling $68.45 and VARS Football PA Score N-SCH was used to process only one transaction totaling $17.50. We recommend that FMD management review and reassess the need for infrequently used pay codes and determine the feasibility of combining them with other similar more frequently used pay codes.
3. More than $175 million, or about 85%, of the $206 million in calendar year ended December 31, 2010 HPSS payroll was processed using the pay code for Regular Pay. The remaining 15%, or about $31 million, was processed using other less common pay codes. There is no payroll cycle summary report that details transactions processed using these less common pay codes for management review. We recommend that FMD management develop a report that details transactions by pay code for each pay cycle for management to review and follow-up on where deemed appropriate and necessary.

Management Action Plan

Due Date: December 31, 2011
Responsible Person: P. Altieri, Chief Financial Officer, Hartford Public School System

FMD will develop and document a detail summary of all pay codes and the types of pay that are appropriate to be charged to each pay code for use by timekeepers when processing payrolls. FMD will also review and reassess the need for infrequently used pay codes and determine the feasibility of combining them with other similar more frequently used pay codes. In addition, FMD will develop a report that details transactions by pay code for each pay cycle for management to review and follow-up on where deemed appropriate and necessary.

Management Reports and Data Entry Edits

Data entry edits can be helpful in preventing incorrect payroll entries and errors resulting in over and under payments. In addition, management reports can be used to detect unusual, incorrect or inappropriate payments requiring follow-up. At the time of our review, there were no effective management reports for use by the Payroll Unit employees and there were no data entry edits in MUNIS. Some key management reports and data entry edits for consideration by FMD management should include but not be limited to the following:

1. A data entry edit prohibiting the recording of vacation, sick, personal or other time-off in excess of respective accrued balances. Payroll Unit management informed us that they have a method for identifying and a process for following-up on and resolving negative accrual time-off balances. Related procedures, including maintaining support for the review and follow-up of these items, were not documented.
2. A summary of the highest gross amounts paid to employees. This could be sorted by bargaining unit to determine if any employees were paid an exceptionally large amount during a given pay cycle or semi-annually or annually. Payroll Unit management informed us that something similar to this is being done every payroll.
3. Amounts paid to Payroll Unit employees and timekeepers. This could limit the exposures relating to the lack of segregation of duties from these individuals recording their own transactions.
4. Overtime paid to management or other exempt employees. Again, this could also be considered for a data entry edit to disallow the recording of overtime paid to these employees. Payroll Unit management informed us that this is being checked by Payroll Specialists in every payroll. Related procedures, including maintaining support for the review and follow-up of these items, were not documented.
5. A report of more than 120 hours recorded by employee during the bi-weekly pay period. Payroll Unit management informed us that any exorbitant number of hours is questioned by Payroll staff before payroll is run. Related procedures, including maintaining support for the review and follow-up of these items, were not documented.
6. A report of employee gross pay equal to or greater than 150% of the employee's regular pay during a bi-weekly pay cycle.

7. An analysis of amounts paid by employee by pay code.

We also noted that payroll registers are not being generated and provided to school administrators and operating unit management to facilitate their review and verification of bi-weekly payrolls. Payroll Unit management indicated that, for a number of reasons, providing payroll registers to school administrators and operating unit managers may not be practical or effective and that an alternative more appropriate report is available for reviewing and determining the accuracy and propriety of bi-weekly payrolls. It was not clear, however, if these reports were being generated and used and there were no related procedures. We recommend that FMD management determine the feasibility and practicality of using payroll registers to monitor the propriety of payroll activity. If it is deemed that payroll registers are not an effective tool, the alternative report should be generated and used for this purpose. In either case, related procedures should be developed, documented and implemented. We also recommend that FMD management develop and implement payroll data entry edits and management reports for preventing and detecting actual and potential payroll errors. Related procedures should be developed, documented and implemented for following up on and addressing items recorded on management reports.

Management Action Plan

Due Date: December 31, 2011
Responsible Person: P. Altieri, Chief Financial Officer, Hartford Public School System

FMD will determine the feasibility and practicality of using payroll registers to monitor the propriety of payroll activity. If it is deemed that payroll registers are not an effective tool, the alternative report should be generated and used for this purpose. In either case, related procedures will be developed, documented and implemented. FMD will also develop and implement payroll data entry edits and management reports for preventing and detecting actual and potential payroll errors. This will include developing, documenting and implementing related procedures for following up on and addressing items recorded on management reports as deemed necessary.

MUNIS Payroll Module Security and Access

Various tests of security and access to the MUNIS Payroll module and reviews of related operations disclosed the following:

1. Policies, procedures and controls relating to security and access to the MUNIS Payroll module were not documented and needed improvement. The process for assigning new users and deactivating employees who no longer need access to the Payroll module and the procedure for periodically reviewing the propriety of security groups, users, activities and access levels with school and operating unit management were not documented. Payroll Unit management informed us that they review the timekeepers in the Payroll module continually.
2. Twenty three MUNIS Payroll users have access to the Payroll module through both a private user role and a group security role. We also noted that one employee had two active private user roles both of which had security and access to the Payroll module.

3. A number of HPSS employees who are not timekeepers or directly involved in the Payroll process have access to the Payroll module through their individual private user roles. While there may be a need for other employees that are not directly involved in the Payroll process to have access to the Payroll module these individuals should be in designated groups with clearly defined business needs and designated access capabilities.

We recommend that FMD management take action to document policies, procedures and controls, including those noted above, relating to security and access to the MUNIS Payroll module. We also recommend that FMD management work with the Financial Systems Manager to review the propriety of the security and access of all employees assigned to the Payroll module through user groups or private user roles and take action to reestablish group security roles and reassign security and access capabilities to employees as deemed appropriate.

Management Action Plan

Due Date: October 31, 2011
Responsible Person: P. Altieri, Chief Financial Officer, Hartford Public School System

FMD will take action to document policies, procedures and controls, including those noted above, relating to security and access to the MUNIS Payroll module. FMD will also work with the Financial Systems Manager to review the propriety of the security and access of all employees assigned to the Payroll module through user groups or private user roles and take action to reestablish group security roles and reassign security and access capabilities to employees as deemed appropriate.

Distribution:

Board of Education Members
City Council Members
Internal Audit Commission Members
C. Kishimoto, Superintendent, Hartford Public School System
P. Segarra, Mayor

Audit Team:

P. Campbell
J. Caruso

Date: September 30, 2011 **To:** Julio Molleda, Director, Finance Department **From:** H. Patrick Campbell, Chief Auditor **Tele:** 860.757.9951 *HPC*		**City of Hartford** **Finance Department** **Payroll Accounts and Operations Audit** **Report 1202**

I. Executive Summary

In accordance with our audit plan for the fiscal year ending June 30, 2012, we completed an audit in August 2011 of the City of Hartford Finance Department Payroll Accounts and Operations. The purpose of the audit was to evaluate and test internal accounting and operating controls, the accuracy and propriety of transactions processed, the degree of compliance with established operating policy and procedures, and to recommend improvements where required. The results of our examination were reviewed with J. Molleda, Director, Finance Department, C. Johnson, Assistant Director; T. Tedford, Supervising Payroll Manager; A. Cloud, Treasurer; S. Malave, Acting Director, Human Resources Department; and, other responsible members of operating management. The summary that follows includes only exceptions disclosed and recommended operating improvements. For each reported item, management agreed to implement our recommendations or take other appropriate corrective action unless specifically indicated otherwise. Included are management's actions taken or planned including timeframes to resolve each finding and/or recommendation in this report. We thank Finance Department management and staff for their cooperation and courtesies extended to us during our audit.

Background

The Payroll Unit of the Finance Department is responsible for processing payrolls for employees of the City of Hartford (the City). This includes the administration of bi-weekly, weekly and monthly payrolls for approximately 1,990 full-time, part-time and temporary employees. The Payroll Unit (Payroll) consists of a manager and three full-time employees. Data entry for payroll related transactions is decentralized with each department and operating unit responsible for entering transactions in the MUNIS Financial Management System Payroll module. The MUNIS Financial Management System (MUNIS) Payroll module was implemented in January 1, 2008 and replaced the SmartStream Financial Management System. MUNIS is also used to record and track employee vacation, sick and other attendance related transactions, compute the payroll and generate related checks and direct deposits. At the start of our audit, Christian Johnson was serving as the Acting Finance Director in place of Christopher Wolf who resigned in October 2010. Julio Molleda was recently appointed Finance Director in July 2011. During the calendar year ended December 31, 2010, the City payroll expense totaled more than $115 million.

Scope

The scope of our audit included various tests of transactions recorded during the calendar year ended December 31, 2010. The following audit procedures were performed:

- Reviews and evaluations of policies, procedures and related internal operating and accounting controls;
- Tests of regular, overtime and other pay categories;
- Tests and reviews of vacation and sick time and related accruals;
- Tests and reviews of payroll deductions; and,
- Tests of security and access and related controls.

The scope of this review did not include comprehensive tests to determine the propriety and accuracy of recording timesheet data in the MUNIS Payroll module. Timesheet testing will, however, be performed as a part of our Special Review of Police Department Overtime.

General

We are pleased to report that extensive tests disclosed the Payroll Unit operations to be generally satisfactory. We did note, however, that policies, procedures and controls relating to a number of key payroll and other operation functions and processes were either not documented or needed improvement. We also estimated that the costs associated with processing the weekly, bi-weekly and monthly payrolls could be reduced by as much as $260,000 annually by discontinuing the use of standard hard copy payroll checks and utilizing electronic notification of direct deposit advices where possible. In addition, we identified $8,600 in overtime that appeared to be paid to three ineligible Hartford Municipal Employees Association employees. We also found that 13 employees on military leave were overpaid by as much as $37,000; as many as 29 employees did not take furlough days for unpaid time off as required at a cost to the City of more than $16,600; and two employees were overpaid a total of $12,085 because of processing errors. Finally, we noted that security over and access to the MUNIS Payroll module needed some improvement.

II. Detail Findings

Payroll Processing

Various tests of 106 City payroll transactions totaling more than $1.2 million made during the calendar year ended December 31, 2010 and reviews of related operations disclosed the following:

1. Policies, procedures and controls relating to the following key payroll operation and other related functions and processes were either not documented or needed improvement.

a. Identifying, following-up on and resolving old outstanding payroll checks. As of December 31, 2010, there were 631 outstanding checks totaling more than $500,000 issued to City and Hartford Public School System employees. This procedure should be developed with the assistance of the Treasurer's Office to coordinate related activities and responsibilities.

b. Calculating, documenting and reviewing and approving accrued vacation and sick time payouts. During the calendar year ended December 31, 2010, the City made 993 payouts totaling more than $6,237,000 to employees for accrued sick and vacation days. This procedure should be developed with the assistance of the Human Resources Department to coordinate related activities and responsibilities.

c. Identifying, tracking and recovering payroll overpayments. During our test period, the City processed 18 overpayment recoveries totaling about $1,960.

d. Requesting, approving and processing manual checks. During the calendar year ended December 31, 2010, the Payroll Unit processed more than 883 manual checks totaling more than $869,000.

e. Developing, implementing and utilizing payroll data entry edits and management audit reports.

f. Monitoring employee accrued time off balances, identifying, following-up on and resolving negative sick and vacation accrued time balances and adjusting to zero out inactive employee accrued time balances. This matter was addressed with Human Resources Department management as it relates to their area of responsibility.

g. Management and oversight of military leaves of absence, including the recovery of any applicable military pay received in addition to the employee's regular salary. This procedure should be developed with the assistance of the Human Resources Department to coordinate related activities and responsibilities.

h. Administering security and access to the MUNIS Payroll module.

Documenting policies, procedures and controls, in narrative form, for key processes and functions is a basis for a sound internal control environment; ensuring the efficiency, effectiveness, consistency and continuity of operations; and, providing management with a baseline for evaluating day-to-day activities and employee performance. We issued a separate memorandum to Finance Department management detailing policy, procedure and control issues identified and related recommendations. We recommend that Finance Department management document policies, procedures and controls for initiating and processing payroll related transactions. This should include developing and implementing standardized forms with review and approval requirements.

Management Action Plan

Due Date: March 31, 2012
Responsible Person: J. Molleda, Director, Finance Department

The Finance and other responsible Departments will document policies, procedures and controls as noted above and in the related Procedural

Memorandum.

2. There are various methods for paying employees and retirees. In addition, there are different costs associated with each type of payment. The most expensive method for paying employees and retirees is by a standard payroll or pension check. We were informed that it costs the City at least $7 to issue a standard payroll or pension check. Certain employees also receive a net zero check. These net zero checks are generated when the remaining balance of an employee's or retiree's pay, after all other deductions are accounted for, is recorded as a deduction and subsequently paid to a participating City affiliated credit union. The cost associated with producing net zero checks was not readily available, however, as they are generated using a similar process as a regular payroll check and have much the same attributes as a direct deposit advice the cost to produces them is somewhat less than $7 to produce a standard payroll check but more than the cost to produce a direct deposit advice. Other employees receive direct deposits and are issued a corresponding direct deposit remittance advice. This is when an employee's or retiree's remaining pay, after all applicable deductions, is deposited directly into a bank account they have designated. We were informed that it costs the City about $0.40 to produce a direct deposit remittance advice. Finally, employees and retirees can elect to receive a copy of their respective remittance advices by email. This is the least expensive method of paying employees and retirees. The costs noted above do not include the postage associated with mailing pension checks and remittance advices where applicable. As a result of our review, we conservatively estimated that the City and Hartford Public School System could save as much as $260,000 annually by discontinuing the use of standard hard copy payroll checks and utilizing electronic notification of direct deposit advices where possible. After reviewing and discussing this with Finance and Treasurer's Office management, we were informed that they were also reviewing payroll related costs and estimated that annual savings could actually equal or exceed $450,000.

   a. A significant amount of the estimated savings could be generated by encouraging employees and retirees to receive their pay by direct deposit instead of in the form of standard payroll checks. This can be difficult as certain employees and retirees may not have bank accounts to accommodate direct deposit or can refuse to accept the direct deposit of pay because it is not supported or required by bargaining unit contracts. This should, however, be encouraged by City management to the greatest extent possible and Human Resources management should consider this as a potential concession when negotiating future bargaining unit contracts. City management should also consider using "CashPay Cards" instead of issuing payroll checks. CashPay Cards offer direct deposit payments to employees or retirees who do not have a checking account or do not want their funds deposited in their existing bank account.

   b. Payroll related savings can also be derived by encouraging employees and retirees to receive their direct deposit pay remittances by email rather than in standard hard copy form. Again, this would have to be addressed based on available technology and in accordance with bargaining unit contracts.

   c. It is also our understanding that some immediate savings could be generated by switching payment methods from net zero checks to direct deposit advices if this can be accomplished without the need to renegotiate bargaining unit contracts. This also should have a limited impact on the individuals involved in the switch from net zero checks to direct deposit advices.

   d. Standard payroll checks, direct deposit advices and other payroll related documentation are sent primarily to retirees through the U.S. Postal Service. During the fiscal year ended June 30, 2010, about $15,000 was spent on postage and related services for payroll activities. We believe

that the cost of postage associated with payroll related services could be reduced considerably if retirees can be persuaded to switch to direct deposit and receive related remittances electronically by email.

We reviewed this matter with the City Treasurer, who agreed with the above and indicated that we should move forward to implement this. We recommend that Finance Department management work with Human Resources, HPSS and the Treasurer's Office to take action where possible and appropriate to reduce to the number of standard payroll checks issued to employees and retirees; switch net zero checks to direct deposits and advices; and, switch hard copy direct deposit advices to email payment notifications.

Management Action Plan

Due Date: December 31, 2011
Responsible Person: A. Cloud, Treasurer; S. Malave, Acting Director, Human Resources Department; J. Molleda, Director, Finance Department

The Treasurer's Office and Human Resource and Finance Departments will take action where possible and appropriate to reduce to the number of standard payroll checks issued to employees and retirees; switch net zero checks to direct deposits and advices; and, switch hard copy direct deposit advices to email payment notifications.

3. We noted a number of payroll processing procedural issues and errors that resulted in actual and potential overpayments. This included the following items.

   a. A Fire Department employee was overpaid $10,602. This occurred when the employee was paid by the City for the same period he/she was paid by Travelers for a Workers' Compensation claim. This employee was also paid $353 of overtime in error. We recommend that Finance Department management work with Fire Department management to recover the $10,955 in overpayments noted above.

   b. A Fire Department employee was overpaid $1,130. It appears that 24 overtime hours were incorrectly recorded in the Payroll module for payment twice in one pay period. The Payroll Specialist could not explain this duplicate entry and indicated that they had only entered the transaction in the Payroll module one time. We recommend that Finance Department management work with Fire Department management to recover the $1,130 overpayment noted above.

   c. A facsimile signature stamp was used to approve one payroll transaction totaling more than $6,600 for the payment of accrued sick, vacation and holiday time. For a number of potential control issues, facsimile stamps should not be used for approving payroll or other financial transactions. We recommend that Finance Department management notify all employees, including management, involved in the payroll process that facsimile signature stamps should not be used to approve payroll or other financial transactions. In addition, we recommend that Finance Department management ensure that applicable procedures are updated as required to note that facsimile signature stamps are not allowed for the approval of payroll or other financial transactions.

   d. Currently, Department Heads or their designees are not required, through the MUNIS workflow process, to review, approve and release departmental payrolls prior to payment. Currently, payrolls are automatically released for payment after being entered and validated by Payroll

Specialists without the requirement of any further supervisory or management approval through the MUNIS workflow process. Any review currently being performed by management is not necessarily documented and occurs during and after the Payroll process is completed and employees are paid. We recommend that Finance Department management take action to change the workflow process to require that Department Heads or their designees approve the release of payrolls in the Payroll module after required data is entered and validated in MUNIS by the respective Payroll Specialists.

Management Action Plan

Due Date: October 31, 2011
Responsible Person: J. Molleda, Director, Finance Department

The Finance Department has taken action to recover the overpayment totaling $1,130 and will take action to recover the other overpayments totaling $10,955. The Finance Department will also ensure that applicable procedures are updated as required to note that facsimile signature stamps are not allowed for the approval of payroll or other financial transactions. We are also in the process of changing the workflow process to require that Department Heads or their designees approve the release of payrolls in the Payroll module after required data is entered and validated in MUNIS by the respective Payroll Specialists.

Employee Accruals for Earned Time-Off

As previously noted, depending on personnel rules or terms and conditions of union contracts, employees are allowed to accrue sick, vacation, holiday, and other time earned. Depending on the type of time accrued, employees may lose, be paid for or exchange the time for additional years of service toward their pension when they terminate service with or retire from the City. Various tests and reviews of accrued time balances disclosed the following:

1. Balances for accrued time off are not being adjusted or zeroed out after employees retire, are terminated or otherwise leave employment with the City. MUNIS automatically calculates and records an estimated liability for accrued time off balances. At the time of our review, there were 205 inactive employees with about 54,000 hours of accrued sick time representing a calculated but not actual liability of more than $1.6 million. We also noted about 11,000 hours of accrued vacation time representing a liability of more than $396,000 for about 95 inactive employees. There were also accrued hours and associated liabilities for other time-off categories including, but not limited to, perfect attendance time earned in inactive employee accounts. Human Resources Department management indicated that there may be a legal requirement, in accordance with State of Connecticut Records Retention policies, to maintain these balances in MUNIS. We believe, however, that since MUNIS maintains a record of all balances and adjustment transactions this information should meet any related records retention requirements. We recommend that Human Resources Department management take action to determine if there are any legal requirements for maintaining these accrual balances in MUNIS. If it is determined that these balances can be adjusted as noted, we recommend that Human Resources Department management ensure that balances for accrued time off are adjusted or zeroed out for all current and future inactive employees. In addition, we recommend that Human Resources

Department management develop, document and implement policies and procedures requiring that all accrued time off balances are adjusted and zeroed out in the future at the time employees retire, are terminated or otherwise leave employment with the City.

2. There were 134 inactive employees with more than 10,000 negative hours of accrued vacation time which appear to represent more than $293,000 in vacation time paid to employees in excess of the related vacation hours they earned. Based on the limited testing we performed on these negative balances, this appears to have resulted from the payment of vacation hours in MUNIS that had been accrued in but not carried over from the SmartStream Financial Management System. We recommend that Human Resources Department management take action to review these negative vacation hours to ensure that employees were not overpaid for vacation hours they did not earn and make any required adjustments to zero out these negative balances in MUNIS. In addition, we recommend that Human Resources Department management take action to include the periodic review for and follow-up on and resolution of negative vacation and other accrual balances in the procedures noted above.

3. According to the terms and conditions of union contracts and personnel rules, employees may not accrue more than 320 hours of vacation time. At the time of our review, there were 206 employees with accrued vacation hours greater than the 320 hour threshold. In total these 206 employees exceeded the 320 hour threshold by more than 29,000 hours. Human Resources management indicated that, for a number of reasons, it may not be in the best interest of the City to enforce this condition at this time. We recommend that Human Resources Department management either take action to review and follow-up on these employees with accrued vacation hours that exceed the 320 hour threshold and ensure that they are in compliance with the terms and conditions of related union contracts and personnel rules or obtain and document approvals from required officials for these exceptions. In addition, we recommend that Human Resources Department management include a requirement in the procedures for periodically identifying, following-up on and resolving accrued vacation that exceeds the 320 hour threshold.

4. According to past practices, former employees are allowed to request and receive credit for sick time they accrued but did not use or receive compensation for during a prior period of employment with the City. This policy, however, is not documented in the terms and conditions of union contracts or the personnel rules. We noted that one employee applied and received credit for 73.5 hours of sick time that they had earned during a prior employment period with the City. Upon retirement from the City after a second employment period, this employee was paid $3,900 for this reinstated sick time. This policy, which as previously noted is not documented, is very generous to employees and costly to the City. We recommend that Human Resources Department management work with elected officials to determine if this past practice should be continued. If it is determined that this past practice will be continued we recommend that Human Resources Department management document this policy in the personnel rules and terms and conditions of applicable union contracts as required.

Management Action Plan

Due Date: December 31, 2011
Responsible Person: S. Malave, Acting Director, Human Resources Department

The Human Resources Department will take action to determine if there are any legal requirements for maintaining these accrual balances in MUNIS. If it is determined that these balances can be adjusted as noted, the Human Resources Department will ensure that balances for accrued time off are adjusted or zeroed out for all current and future inactive employees. The Human Resources Department will also take action to review negative

vacation hours to ensure that employees were not overpaid for vacation hours they did not earn and make any required adjustments to zero out these negative balances in MUNIS. The Human Resources Department will also develop, document and implement policies and procedures requiring that all accrued time off balances are adjusted and zeroed out in the future at the time employees retire, are terminated or otherwise leave employment with the City. These procedures will include a process for periodically reviewing for and following-up on and resolving negative vacation and other accrual balances. In addition, the Human Resources Department will either take action to review and follow-up on the employees with accrued vacation hours that exceed the 320 hour threshold and ensure that they are in compliance with the terms and conditions of related union contracts and personnel rules or obtain and document approvals from required officials for these exceptions. Depending on the outcome of our inquiry the Human Resources Department will include a requirement in the procedures for periodically identifying, following-up on and resolving accrued vacation time that exceeds the 320 hour threshold. Finally, the Human Resources Department will work with elected officials to determine if the past practice of crediting returning employees with prior sick time balances should be continued. If it is determined that this past practice will be continued, we recommend that Human Resources Department management document this policy in the personnel rules and terms and conditions of applicable union contracts as required.

Furlough Day Recording Errors and Omissions

As part of various measures to reduce costs during the fiscal year ended June 30, 2010, the City implemented required furlough days for certain groups of employees. According to the terms and conditions of the agreement, each applicable employee was required to take four furlough days or a total of 32 hours of unpaid time off. On March 12, 2010, we issued a report relating to a special review we performed regarding the Reporting and Recording of Furlough Days. This report detailed a number of recording and reporting errors for management review and follow-up. Subsequent to our review the Finance and Human Resources Departments performed another Furlough Day analysis to determine if all applicable employees had taken the required furlough days as required. As a result of this review, it was estimated that as many as 29 employees did not take unpaid furlough time off at a cost to the City of more than $16,600. Although this matter has been reviewed and discussed by both the Finance and Human Resources Departments, it has been outstanding and unresolved since July 2010. In addition, both Finance and Human Resources Department management informed us that they have been waiting for responses or feedback from the other department before they are able to proceed with resolving any related outstanding issues. We recommend that Finance and Human Resources Department management work together to follow-up on and address the outstanding furlough days including taking action to recover any of the $16,600 noted above due the City from employees who did not take furlough days and unpaid time off as required.

Management Action Plan

Due Date: October 31, 2011
Responsible Person: J. Molleda, Director, Finance Department, S. Malave, Acting Director, Human Resources Department

Finance and Human Resources Department management will work together to follow-up on and address the outstanding furlough days, including taking action to recover any of the $16,600 noted above due the City from employees who did not take furlough days and unpaid time off as required.

Pay Code Analysis

Each type of pay, including regular, overtime, vacation and sick, has its own separate pay code in the Payroll module of MUNIS. During the calendar year ended December 31, 2010, more than $115 million was paid through 218,429 transactions in 164 pay codes. Various tests of the payment transactions in various pay codes and reviews of related operations disclosed the following:

1. There is no summary detailing all pay codes and the types of pay that are appropriate to be charged to each pay code. This increases the possibility of certain pay being charged to the wrong pay code. This is especially true in a decentralized Payroll operation. We recommend that Finance Department management develop and document a detail summary of all pay codes and the types of pay that are appropriate to be charged to each pay code for use by timekeepers when processing payrolls.
2. There are a number of pay codes that are rarely used. We noted that 21, or about 12%, of the 164 pay codes were used to process ten or less transactions per year. Twelve of the 164 pay codes were used only one or two items. For instance, pay code 261 or "Outside Use 1.5" was used to process only one transaction totaling $58.62 and pay code 320 or "Holiday" was used to process only one transaction totaling $85.60. We recommend that Finance Department management review and reassess the need for infrequently used pay codes and determine the feasibility of combining them with other similar more frequently used pay codes.
3. More than $74 million, or about 64%, of the $115 million in City payroll for the calendar year ended December 31, 2010 was processed using the pay code for Regular Pay. The remaining 36%, or about $41 million, was processed using other less common pay codes. There is no payroll cycle summary report that details transactions processed using these less common pay codes for management review. We recommend that Finance Department management develop a report that details transactions by pay code for each pay cycle for management to review and follow-up on where deemed appropriate and necessary.
4. Pay code 370 is for "Mandatory Leave/Bereavement". During the period of our review, a number of employees were paid more than $146,000 under this pay code. Tests of 2 transactions totaling approximately $8,343 recorded in the Mandatory Leave/Bereavement pay code disclosed that they were for 2 employees who were on paid administrative leave. Management previously informed us that this category was for time spent for training or attendance at conferences or for time spent attending and/or arranging for funerals. These are two very distinct and different uses of employee time. As a result, we recommend that management take action to account for training/conference and funeral related activities separately in two different pay codes. This will provide for more accurate information on how employee time is spent and allow for management to monitor the use of time in these two separate and distinct pay categories.

Management Action Plan

Due Date: December 31, 2011
Responsible Person: J. Molleda, Director, Finance Department

The Finance Department will develop and document a detail summary of all pay codes and the types of pay that are appropriate to be charged to each pay code for use by timekeepers when processing payrolls. The Finance Department will also review and reassess the need for infrequently used pay

codes and determine the feasibility of combining them with other similar more frequently used pay codes. In addition, the Finance Department will determine the feasibility and practicality of developing a report that details transactions by pay code for each pay cycle for management to review and follow-up on where deemed appropriate and necessary. Finally, the Finance Department has taken action to create two separate pay codes for training/conference and funeral related activities.

Hartford Municipal Employees Association Member Overtime

During our test period, 52 HMEA employees received more than $207,000 in overtime pay. According to the agreement between the City of Hartford and the Hartford Municipal Employee Association (HMEA), the City of Hartford Personnel Rules and Regulations and Human Resources Department management only certain HMEA employees are eligible to earn overtime pay. Tests of overtime totaling $7,962 paid to 12 HMEA employees and reviews of related operations disclosed the following.

1. Based on reviews and discussions with the Human Resources Department, it appears that three HMEA employees were not eligible to receive more than $8,600 in overtime pay.
2. There was no time sheet to support $639.14 in overtime paid to one employee and one timesheet, including 17.75 hours of overtime totaling $648.52 was not signed/approved by a supervisory employee.
3. While the eligibility of a HMEA member to earn overtime pay depends on the employee's position and/or the type of work being performed, these rules and restrictions were not clearly documented in either the union contract or payroll policies. It should be clearly documented which HMEA positions and/or employees are eligible to receive overtime pay and the specific conditions under which they are eligible to be paid overtime. In addition, there should be a requirement that the circumstances under which overtime is paid to HMEA employees are clearly documented on time sheet.
4. The HMEA union contract states that "bargaining unit employees shall receive their straight-time hourly rate of pay for all work performed beyond the normal workday or week". We noted, however, that in 244 instances HMEA employees were paid $48,233 in overtime at a time and a half rate and in 13 instances HMEA employees were paid $2,628 in overtime at a double time rate. It was not readily evident from time sheets or other related documentation the circumstances under which and eligibility to be paid overtime at these rates. It should be clearly documented which HMEA positions and/or employees are eligible to receive overtime pay in excess of a straight-time hourly rate and the specific conditions under which they are to be paid in this manner. In addition, there should be a requirement that these circumstances are clearly documented on all applicable time sheets.

Finance Department management indicated that it can be difficult to determine HMEA overtime pay eligibility due to position changes and other factors. We referred these items to Human Resources Department management to follow-up on the $8,600 in overtime pay that appears to have been paid to the three ineligible HMEA employees noted above and determine the propriety of the $50,861 in overtime that was paid at a time and half and double time rate. We also recommend Human Resources management work with Finance Department management to take immediate action to recover any and all improper payments identified. In addition, we recommend that Human Resources Department management work to develop clear and

concise requirements for HMEA overtime payments, including stipulations for eligible positions, types of work and respective hourly rate multiples. This should include specifics regarding how to properly document these exceptions on time sheets. These requirements should then be disseminated to all payroll specialists. Finally, we recommend that Finance Department management develop a management report that identifies overtime payments made to HMEA and other union employees for review and follow-up action.

Management Action Plan

Due Date: December 31, 2011
Responsible Person: S. Malave, Acting Director, Human Resources Department; J. Molleda, Director, Finance Department

The Human Resources Department will follow-up on the $8,600 in overtime pay that appears to have been paid to the three ineligible HMEA employees noted above and determine the propriety of the $50,861 in overtime that was paid at a time and half and double time rate. The Human Resources Department will also work with the Finance Department to take immediate action to recover any and all improper payments identified. In addition, the Human Resources Department will work to develop clear and concise requirements for HMEA overtime payments, including stipulations for eligible positions, types of work and respective hourly rate multiples. This will include specifics regarding how to properly document these exceptions on time sheets. These requirements will be disseminated to all payroll specialists. Finally, the Finance Department will develop a management report that identifies overtime payments made to HMEA and other union employees for review and follow-up action.

Military Leave

When City employees are deployed on military assignments, they are supposed to be paid using the "Military Leave" pay element. In addition, according to the City's Personnel Rules and Regulations, "Any full-time employee who is a member of the National Guard, Naval Militia, or other reserve forces of the United States, and is required to undergo field training therein, shall be entitled to a leave of absence with pay for the period of such field training to a maximum of one month, provided the amount of compensation paid to such an employee for such leave of absence shall be the difference between his compensation paid for military activities as shown on a statement by military authorities giving his rank, pay and allowances and the amount of salary or wages due as an employee of the City." During the period of our review, 24 employees received more than $214,000 in military leave pay. Various tests of military leave pay and reviews of related operations disclosed the following:

1. Policies, procedures and controls relating to Military Leaves of Absence were not documented. Although it appeared that nine employees received a reduced City salary while on military leave, it was not evident from available documentation how the reduced salaries were established. In addition, there was no documentation to support the approvals of employee requests for military leaves of absence. According to Finance Department management, there is a form for approving military leaves of absence that is required to be signed by the Director of the Human Resources Department.
2. We found no documentation to support that 13 employees on military leave and who received regular salaries from the City, reimbursed the City for their respective military pay. Using a conservative estimate of 25% of full time salaries, we estimated that these employees had not reimbursed the

City more than $37,000 in military pay they received while also being paid their full salary by the City. Payroll Unit management indicated that this estimate was conservative and could be higher.

We recommend that Human Resources Department management work with Finance Department management to develop, document and implement policies, procedures and controls regarding military leave. Ideally, the employee who is on leave with pay due to involuntary activation for military duty should be paid the difference between all military leave pay received and the full-time employee's base salary. In addition, there should be standard requirements for approving paid military leaves and calculating and documenting salary adjustments. We also recommend that Human Resources Department management work with Finance Department management determine the feasibility of recovering any of the more recent overpayments made to employees while on military leave.

Management Action Plan

Due Date: December 31, 2011
Responsible Person: S. Malave, Acting Director, Human Resources Department; J. Molleda, Director, Finance Department

The Human Resources Department will work with the Finance Department to develop, document and implement policies, procedures and controls regarding military leave. Ideally, the employee who is on leave with pay due to involuntary activation for military duty should be paid the difference between all military leave pay received and the full-time employee's base salary. In addition, there should be standard requirements for approving paid military leaves and calculating and documenting salary adjustments. The Human Resources Department will also work with the Finance Department to determine the feasibility of recovering any of the more recent overpayments made to employees while on military leave.

System Security and Access Controls

Various tests of user security and access to the MUNIS Payroll module for 46 employees and reviews of related operations disclosed the following:

1. Policies, procedures and controls relating to security and access to the MUNIS Payroll module were not documented and needed improvement. The process for assigning new users and deactivating employees who no longer need access to the Payroll module was not documented. In addition, there was no procedure for periodically reviewing the propriety of security groups, users, activities and access levels with school and operating unit management. Finance Department management informed us that these policies are currently being worked on.
2. Fourteen MUNIS Payroll users have access to the Payroll module through two (10) or three (4) separate roles. It is not clear why these individuals have or need access to the Payroll module through multiple roles or what activities or functions they can perform under each role. Finance Department management informed us that this has been corrected.
3. There are 12 generic user identification (ID) codes that are not assigned to individual employees. Again it is not clear why these generic user ID codes were established, who uses these ID codes or what activities or functions can be performed by employees who use these ID codes.

4. Seven users are assigned to another employee's private role. Finance Department management informed us that this has been corrected.
5. There are seven individuals assigned to what appear to be the wrong roles including five individuals who are not City employees. Finance Department management informed us that this has been corrected.
6. Six employees are assigned to what appear to be seven roles that provide them access to activities and functions in the Payroll module that would not normally be required to perform their respective day-to-day job responsibilities. Finance Department management informed us that this has been corrected.
7. There are three active roles with no assigned users.
8. The External Auditor user role provides update/delete access to activities and functions in the Payroll module. It should be noted that there were no users assigned to this role at the time of our review.
9. One former employee had an active Payroll module user role.
10. User role naming conventions are not standardized. For instance we noted that one employee had the following active user roles, TOMBOWLEY, TBOWLEY and BOWLEYTIME.
11. It appears that numerous City employees who are not timekeepers or directly involved in the Payroll process have access to the Payroll module through their individual private user roles. It is not readily apparent why these individuals have or need access to the Payroll module or what activities or functions they can perform or the transactions they can initiate.
12. Ideally, timekeepers and other Payroll users should not be able to access and update data in their own payroll or personnel records in MUNIS. Without mitigating controls including management reviews and approvals of transactions and activity performed by these individuals in their own accounts this could represent an inappropriate level of segregation of duties.

We recommend that Finance Department management take action to document policies, procedures and controls, including those noted above, relating to security and access to the MUNIS Payroll module. We also recommend that Finance Department management review the propriety of the security and access of all employees assigned to the Payroll module through user groups or private user roles and take action to reestablish group security roles and reassign security and access capabilities to employees as deemed appropriate. Finance Department management informed us that they are in the process of hiring a senior analyst that will be assigned to handle all security and workflow requirements for MUNIS and the Payroll module.

Management Action Plan

Due Date: November 30, 2011
Responsible Person: J. Molleda, Director, Finance Department

The Finance Department will take action to document policies, procedures and controls, including those noted above, relating to security and access to the MUNIS Payroll module. The Finance Department will also review the propriety of the security and access of all employees assigned to the Payroll module through user groups or private user roles and take action to reestablish group security roles and reassign security and access capabilities to

employees as deemed appropriate.

Distribution:

City Council Members
Internal Audit Commission Members
A. Cloud, City Treasurer
J. Kupiec, Chief of Staff, Mayor's Office
S. Malave, Acting Director, Human Resources Department
D. Panagore, Chief Operating Officer
J. Sanchez, Director, Management and Budget
P. Segarra, Mayor

Audit Team:

P. Campbell
J. Garvis
D. Sinclair