



City of Chattanooga

INTERNAL AUDIT

City Hall

Chattanooga, Tennessee 37402

Stan Sewell
Director

Ron Littlefield
Mayor

September 17, 2010

Mayor and City Council
City of Chattanooga
Chattanooga, TN 37402

RE: Post Audit Review of Payroll Clerks, Audit 09-15

Dear Mayor and Council Members:

On March 26, 2010, the Internal Audit Division released an audit on Payroll Clerks. We performed certain procedures, as enumerated below, with respect to Payroll Clerks in order to render a conclusion on the status of the recommendations made as a result of that audit.

This Post Audit Review consisted principally of inquiries of Finance Department staff and examinations of various supporting documentation. It was substantially less in scope than an audit in accordance with generally accepted government auditing standards.

The evidence obtained provided a reasonable basis for our conclusions; however, had an audit been performed, other matters might have come to our attention that would have been reported to you and our conclusions may have been modified.

The conclusions of Audit 09-15 were:

1. Written policies/procedures are not in place to provide sufficient guidance for payroll clerks.
2. Payroll clerks have not received proper payroll training.
3. Payroll documentation has not always been adequately retained.
4. Payroll calculations have not always been made in compliance with the City Code.

The audit contained four (4) recommendations that addressed the audit's findings. Based on the review performed, we concluded that all four (4) recommendations were implemented.

Recommendations Implemented [1, 2, 3, 4]

We recommended (**recommendation 1**) that the Finance Department develop adequate written policies/procedures to provide guidance for Payroll Clerks. We also recommended that the Payroll Division document the receipt of these policies by the Payroll Clerks. We further recommended that these policies ensure that proper internal controls are in place surrounding the Payroll Clerk process, as well as specifically providing guidance related to the computerized processing system, proper classification of overtime, records retention, supervision, and appropriate required authorizations.

During our review, we learned that the Finance Department has developed a formal written policy/procedure manual that provides guidance for Payroll Clerks. The Payroll Division has implemented a process of requiring a signature from each payroll clerk that is being retained in their files to document the receipt of this manual by all of the Payroll Clerks. At the time of our review, about half of the payroll clerks have already signed a document stating that they have received a hard copy of the new payroll manual, and about half of the payroll clerks are currently scheduled to receive this manual and sign a document noting that they received this manual in the near future. We noted that the written policy/procedure manuals that the Finance Department has put in place covers topics such as Time Clock Procedures, Approval & Authorization Procedures, Security of Payroll Documents, City Code sections related to payroll, the Fair Labor Standards Act, Tennessee State Wage Laws, Record Retention, and Oracle payroll system guidance and information.

We recommended (**recommendation 2**) that the Finance Department develop and implement a formal payroll clerk training class to provide guidance for Payroll Clerks. We also recommended that this training should focus on providing information on how to perform all basic functions of being a payroll clerk, as well as an overall education related to payroll policies such as when overtime is applicable. We further recommended that this training coincide with the Payroll Clerk Written Policies/Procedures Manual that we suggested be developed and implemented in Recommendation 1.

During our review, we learned that the Payroll Division has developed a schedule to conduct training classes that coincide with their recently developed Payroll Clerk written policy/procedure manual. At the time of our review, about half of the payroll clerks have already completed this training course, and about half of the payroll clerks are currently scheduled to attend this training course in the near future.

We recommended (**recommendation 3**) that all payroll clerks retain all pertinent hard copy payroll documentation that is required by Section K-30 of the MTAS guide "Records Management for Municipal Governments." We further recommended that the Finance Department ensure that a comprehensive policies/procedures manual is in place for the payroll clerks that includes guidance about the City's record retention policies.

During our review, we found that the new pay clerk written/policy procedure manual includes guidance related to the City's record retention policies. We also selected a few employees and compared the payroll data listed in Oracle for a given time period and compared it to the related personal leave slips that were retained by payroll clerks. Based on this limited review, all of the supporting documentation that we needed was able to be located and it agreed to the data that was listed in Oracle.

We recommended (**recommendation 4**) that the Finance Department ensure that formal policies/procedures are in place with regard to the review and reconciliation process to ensure all future payroll data is accurately entered into Oracle for all employees.

During our review, we learned that the Finance Department's written policies/procedures include language that states that the Payroll Clerk entries are required to be monitored by the Payroll Division. We also found that the Payroll Division checks a random sample of pay clerk supporting documentation a few times each year in order to make sure that the payroll clerks are in compliance with the Finance Department's payroll policies/procedures.

We thank the Finance Department for their assistance in conducting this review. We will consider this report to be final unless directed to continue our review.

Sincerely,



Stan Sewell, CPA, CGFM
Director of Internal Audit

cc: Dan Johnson, Chief of Staff
Daisy Madison, City Finance Officer
Vickie Haley, Assistant City Finance Officer
Gail Duffey, Payroll Supervisor
Audit Committee Members