City and County of San Francisco

Office of the Controller – City Services Auditor

CITYWIDE PAYROLL AUDIT:

Eleven Departments Incorrectly Paid Employees, Improperly Approved Time, or Did Not Comply With Citywide Policies and Procedures

February 9, 2015

OFFICE OF THE CONTROLLER
CITY SERVICES AUDITOR

The City Services Auditor Division (CSA) was created in the Office of the Controller through an amendment to the Charter of the City and County of San Francisco (City) that was approved by voters in November 2003. Charter Appendix F grants CSA broad authority to:

- Report on the level and effectiveness of San Francisco's public services and benchmark the City to other public agencies and jurisdictions.
- Conduct financial and performance audits of city departments, contractors, and functions to assess efficiency and effectiveness of processes and services.
- Operate a whistleblower hotline and Web site and investigate reports of waste, fraud, and abuse of city resources.
- Ensure the financial integrity and improve the overall performance and efficiency of city government.

CSA may conduct financial audits, attestation engagements, and performance audits. Financial audits address the financial integrity of both city departments and contractors and provide reasonable assurance about whether financial statements are presented fairly in all material aspects in conformity with generally accepted accounting principles. Attestation engagements examine, review, or perform procedures on a broad range of subjects such as internal controls; compliance with requirements of specified laws, regulations, rules, contracts, or grants; and the reliability of performance measures. Performance audits focus primarily on assessment of city services and processes, providing recommendations to improve department operations.

CSA conducts audits in accordance with the Government Auditing Standards published by the U.S. Government Accountability Office. These standards require:

- Independence of audit staff and the audit organization.
- Objectivity of the auditors performing the work.
- Competent staff, including continuing professional education.
- Quality control procedures to provide reasonable assurance of compliance with the auditing standards.

For questions regarding the report, please contact Director of City Audits Tonia Lediju at Tonia.Lediju@sfgov.org or 415-554-5393 or CSA at 415-554-7469.

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City and County of San Francisco

Office of the Controller – City Services Auditor

Citywide Payroll Audit: Eleven Departments Incorrectly Paid Employees, Improperly Approved Time, or Did Not Comply With Citywide Policies and Procedures | **February 9, 2015**

Purpose of the Audit

In fiscal year 2013-14 the Office of the Controller's City Services Auditor Division (CSA) audited the adequacy of citywide payroll operations and internal controls. The audit surveyed the payroll processes and controls of 54 departments across the City and County of San Francisco (City). The audit also assessed, based on pay fluctuations across two pay periods, whether city departments accurately paid a sample of 101 employees and complied with eligibility provisions of labor agreements. This is the third report in a series of planned audits that CSA will perform annually.

Highlights

The City's payroll process is generally adequate. However, the City has control deficiencies in its payroll process. Also, many departments incorrectly answered questions on the audit's internal control questionnaire, which indicates a lack of adherence to citywide policies and procedures. By addressing the control deficiencies identified, the payroll process and the documentation supporting the payroll process would be improved. Implementing controls, such as formalizing reviews, would lessen risks such as incorrect or improperly supported payments.

Also, 11 (55 percent) of the 20 tested departments need to improve their payroll operations. Departments sometimes incorrectly paid employees, improperly approved timesheets and other payroll authorizations, did not adhere to departmental or city policies and procedures, and have payroll-related internal control weaknesses. The audit's findings include the following:

- Of 101 employees tested that had been paid $868,062, 10 (10 percent) were paid incorrectly, resulting in overpayments of $3,340 and underpayments of $356:

  Department of Building Inspection
  - Overpaid $3,259 to an employee because it did not end a special pay when the employee changed job classifications.

  Fire Department
  - Underpaid $235 for overtime hours worked.
  - Overpaid $51 for premium hours.

  San Francisco Municipal Transportation Agency
  - Underpaid $101 for overtime, regular, and premium hours worked.
  - Overpaid $30 for improperly calculated shift pay.

  Human Services Agency
  - Underpaid $20 in premium pay earned.

- One department inappropriately assessed an income tax benefit to three employees who were exempt from the taxation requirement.

- Six departments' supervisors did not properly approve and/or date timesheets, temporary assignment forms, or pay adjustment forms.

Recommendations

The report includes 18 recommendations for the City and departments to improve their payroll processes. Specifically, departments should:

- Correct all over- and underpayments to employees.
- Comply and ensure compliance with citywide policies and procedures, including reviewing employee time information for accuracy and appropriateness.
- Cease the incorrect practice of increasing the taxable income of employees exempt from the commuting vehicle benefit and work with the Payroll and Personnel Services Division to determine how to correct the incorrect entries.
- Properly approve and date all payroll authorizations and timesheets.

The report also includes recommendations for the City to strengthen its controls over the payroll process.

Copies of the full report may be obtained at:
Office of the Controller ● City Hall, Room 316 ● 1 Dr. Carlton B. Goodlett Place ● San Francisco, CA 94102 ● 415.554.7500
or on the Internet at http://www.sfgov.org/controller

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CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

February 9, 2015

Dear City Officials:

The Office of the Controller's City Services Auditor Division (CSA) presents its report of the citywide payroll audit for fiscal year 2013-14. The audit objectives were to assess the adequacy of citywide payroll operations and internal controls. The audit also assessed, for pay fluctuations across two pay periods, whether departments accurately paid and complied with eligibility provisions of labor agreements. In fiscal year 2011-12 CSA began a series of planned annual audits of selected departments' payroll practices. This is the third report in a series of planned audits that CSA will perform annually.

The audit concluded that the City and County of San Francisco's (City's) payroll process is generally adequate. However, the City has control deficiencies in its payroll process. Also, many departments incorrectly answered questions on the audit's internal control questionnaire, which indicates a lack of adherence to citywide policies and procedures. By addressing the control deficiencies identified, the payroll process and the documentation supporting the payroll process would be improved. Implementing controls, such as formalizing reviews, would lessen risks such as incorrect or improperly supported payments.

Also, 11 of the 20 tested departments need to improve their payroll operations. Control deficiencies were found in the payroll processes the City generally follows. Further, departments do not always follow the City's Payroll Policies & Procedures Manual, indicating that internal control weaknesses may exist at the departmental level.

The report includes 18 recommendations for the City and departments to improve their payroll processes. The departments' responses to the report are attached as appendices. CSA will work with the departments to follow up on the status of the recommendations made in this report.

CSA appreciates the assistance and cooperation of staff from the numerous departments that assisted during the audit. For questions about the report, please contact me at Tonia.Lediju@sfgov.org or 415-554-5393 or CSA at 415-554-7469.

Respectfully,

Tonia Lediju
Director of City Audits

cc: Board of Supervisors
Budget Analyst
Citizens Audit Review Board
City Attorney
Civil Grand Jury
Mayor
Public Library

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GLOSSARY OF TERMS

Airport	Airport Commission
Building Inspection	Department of Building Inspection
City	City and County of San Francisco
City Attorney	Office of the City Attorney
Controller	Office of the Controller
CSA	City Services Auditor Division of the Office of the Controller
District Attorney	Office of the District Attorney
eMerge	eMerge Division of the Office of the Controller
FAMIS	Financial Accounting and Management Information System
FMLA	Family and Medical Leave Act
Health Services	Health Service System
Human Resources	Department of Human Resources
Human Services	Human Services Agency
MOU	memorandum of understanding
PDF	Problem Description Form
PeopleSoft	eMerge PeopleSoft, an integrated human capital management system
PPSD	Payroll and Personnel Services Division of the Office of the Controller
Public Health	Department of Public Health
Rec and Park	Recreation and Park Department
Retirement	San Francisco Employees' Retirement System
SEIU	Service Employees International Union
SFMTA	San Francisco Municipal Transportation Agency
TESS	Time Entry and Scheduling System
Trapeze	Trapeze OPS: Automated Operations Management system, Version 12, the scheduling, bidding, dispatching, and timekeeping system for transit operators

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INTRODUCTION

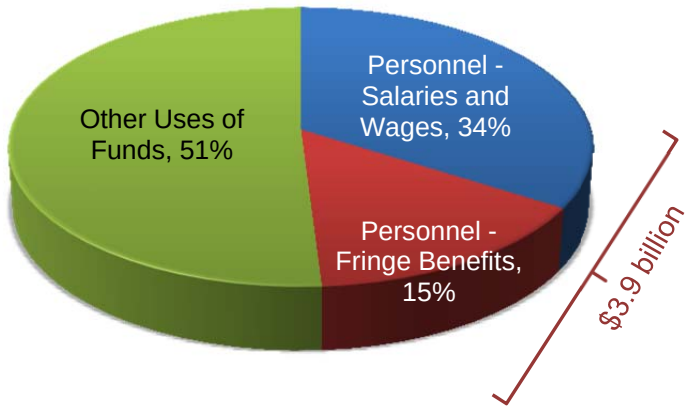
Audit Authority

The audit was conducted under the authority of the Charter of the City and County of San Francisco (City), which requires that the Office of the Controller (Controller) conduct periodic, comprehensive financial and performance audits of city departments, services, and activities. This audit is the third report in a series of planned payroll audits performed by the Controller annually.

Background

The personnel expenses budget for fiscal year 2013-14 in the City's Budget and Appropriation Ordinance was $3.9 billion, which was 49 percent of the total budgeted expenses for the year of $7.9 billion. This $3.9 billion includes $2.7 billion of salaries and wages and $1.2 billion of fringe benefits. Exhibit 1 shows the City's personnel expenses as a percentage of the total budget.

EXHIBIT 1 **Uses of the City and County of San Francisco's $7.9 Billion Budget Fiscal Year 2013-14**



Source: City's Budget and Appropriation Ordinance for Fiscal Year Ending 2013-14.

The City's $2.7 billion of salaries and wages for its approximately 31,000 employees is disbursed through biweekly paychecks issued by the Controller's Payroll

and Personnel Services Division (PPSD). To make this possible, the payroll staffs of six city organizations and departments work together to execute payroll duties, as shown in Exhibit 2.

EXHIBIT 2 Partners in the City's Payroll Process



Source: Auditor analysis.

Multiple departments and divisions work together to administer the City's payroll.

PPSD processes payroll and personnel data for employees of city departments and ensures compliance with city, state, and federal tax, wage, and hour regulations. In December 2013 PPSD issued a citywide payroll policies and procedures manual for departments to follow.

The Controller's eMerge division (eMerge) manages eMerge PeopleSoft (PeopleSoft), an integrated human capital management system. The staff of eMerge is responsible for providing efficient and effective central system support for human resource, payroll, benefits administration, time reporting and absence management business functions to the City's workforce.

The payroll staff of each department enters employees'

time records into information systems, mainly PeopleSoft, and submits the information to PPSD for processing. The payroll processes within each department may vary because, although departments are now bound to uniform payroll procedures, departments are still responsible for developing detailed policies and procedures that fit their operations. Each department is composed of employees represented by different employee organizations with unique memorandums of understanding (MOUs) and may have various needs and organizational structures.

The Department of Human Resources (Human Resources) administers citywide personnel policies and procedures, negotiates and administers collective bargaining agreements with labor unions, and advises the City's other departments in these areas, fulfilling a critical role in the payroll process. Human Resources also issues memorandums that guide departments on human resource topics that may impact payroll, such as compensation administration and furloughs and pay reductions.

The Civil Service Commission, which is the governing body for Human Resources, oversees the merit system for the City by:

- Establishing rules and policy related to the merit system.
- Hearing appeals on examinations, eligible lists, minimum qualifications, classification matters, discrimination complaints, and future employment restrictions placed on individuals.
- Interpreting rules and policies.

The San Francisco Employees' Retirement System (Retirement) secures, protects, and invests pension trust assets, administers the mandated benefits programs, and provides promised benefits to active and retired members of the system.

According to the Health Service System (Health Services), it creates contracts based on negotiations with health providers, which determine the costs city employees pay for medical, dental, and vision coverage. Also, Health Services offers flexible spending accounts,

which can impact deductions on employees' checks. Health Services works with PPSD to issue 1099 and W-2[1] tax forms to ensure that all taxes for benefits are administered properly, especially for domestic partnerships. Health Services also works with PPSD to report the cost of healthcare to the U.S. Internal Revenue Service.

The City implemented a new payroll system in August 2012.

On August 27, 2012, the Controller's eMerge Division implemented PeopleSoft, which provides improved human resources, benefits administration, and payroll services to the City's active and retired workforce.

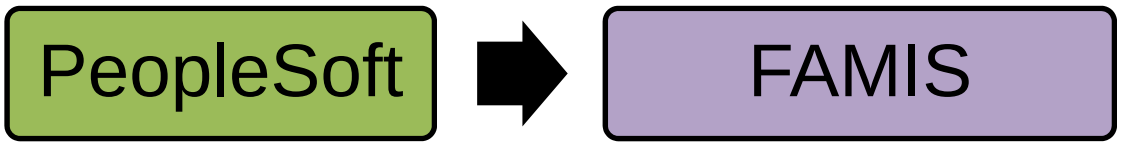
For part of fiscal year 2013-14, most city departments used the Time Entry and Scheduling System (TESS) to enter time and attendance data. Data from TESS would interface with PeopleSoft, which would calculate the pay based on the hours worked and the applicable tax and payroll deductions. According to eMerge staff, during November 2013 through April 2014, most departments stopped entering time in TESS and began entering time and attendance data directly in PeopleSoft. By June 2014 only eight departments did not enter time and attendance data directly in PeopleSoft. Instead, they interface time to PeopleSoft from a local timekeeping system. As a result, TESS is no longer used by any department.[2] The Financial Accounting and Management Information System (FAMIS) is the City's central accounting system and contains aggregate pay data from PeopleSoft, which is used in the City's comprehensive financial statements.

The movement of data between the two systems is shown in Exhibit 3.

[1] The Internal Revenue Service, which is the United States government agency responsible for tax collection and tax law enforcement, requires the Form 1099 and Form W-2.

[2] A few departments use other time-entry systems that interface directly with PeopleSoft.

EXHIBIT 3 **Data Flow Between City Payroll Information Systems**



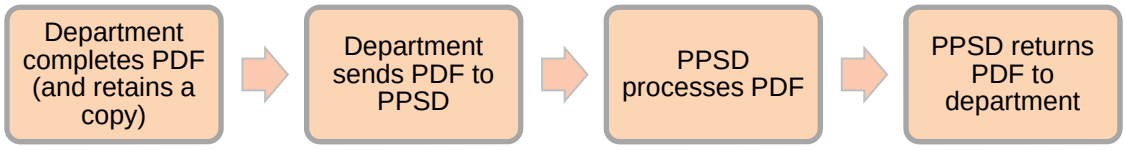
Note: Before payroll data is posted to FAMIS, PeopleSoft uploads it to the Labor Distribution System, a FAMIS subsystem.

Source: Auditor analysis based on information from the Controller's Accounting Operations and Systems Division.

Departments use Problem Description Forms to communicate employee pay changes to PPSD.

Besides time reporting, departments communicate with PPSD about changes to employees' pay information. Departments use the Problem Description Form (PDF) to communicate this information. The PDF is used to request corrections to payroll problems and to make other payroll-related changes. The process for a department to submit a PDF to PPSD is shown in Exhibit 4.

EXHIBIT 4 **Process to Submit a Problem Description Form to PPSD**



Source: Auditor analysis based on information from PPSD.

Departments directly change employee information in the system.

With the implementation of PeopleSoft, departments' payroll and human resource units now have the ability and the responsibility to directly make system changes to record employee job record changes. This includes new hire updates and adjustments to job records of existing employees. Additional new system responsibilities of department payroll units include:

- Managing positions
- Entering new hires/rehires
- Managing employee data, such as biographical data and emergency contact information

- Managing leaves of absence
- Entering employee job data, such as standard work hours and dates of merit increases
- Terminating employees
- Entering pay rate changes, such as salary step progressions and assignments of special pays
- Viewing time, absence, and payroll information

CSA uses a risk-based approach to select the objectives of its audits. For this audit, CSA identified the risks shown in Exhibit 5 after collaboration with Human Resources and PPSD.

EXHIBIT 5 Payroll Risks Identified by the Audit Team

Risk Area	Risk
Largest special pay	· Special pays are paid inaccurately. · Employees are ineligible for the special pay. · Top special pays are paid inefficiently.
Manual time entries	· Employees are paid for hours that were not recorded. · Employees are paid with the wrong pay code. · Symbol changes (adjusting previous time entries from one pay code to another) cause higher costs to the department. · Rate adjustments are incorrect or invalid.
Wage rate accuracy	· Employee wage rates are not accurately or promptly updated to reflect changes in job position and step.
Internal controls	· Processes and controls (such as segregation of duties and time entry) are weak. · Pay advice (including for manual checks) is not accurately or promptly distributed. · Timesheets are not properly approved.
Position at retirement	· Retirees' lump sum payouts are calculated using a rate inconsistent with labor agreement or Retirement's requirements.
Temporary employees	· Temporary employees receive inaccurate pay amounts. · Temporary employees are ineligible for pay.
Employee leave status	· Payroll and departmental human resources data disagree, resulting in incorrect payments based on inaccurate leave status.
Payouts to retired or separated employees	· Discrepancies regarding separated employees exist among the employee's department, Human Resources, Retirement, and/or PPSD. · Lump-sum payouts are not paid in a timely manner.

Source: CSA analysis based on information from Human Resources and PPSD.

Objectives

The objectives of the audit were to:

1. Determine whether the City has adequate and effective internal controls in the payroll process.

2. Based on pay rate fluctuations across two pay periods:
   a. Determine the accuracy of the dollar amount the department paid.
   b. Assess whether the department complied with the applicable labor agreement in determining eligibility of employees for pay(s).

Scope and Methodology

CSA obtained the payroll information for all city employees for the two pay periods ended January 17 and January 31, 2014.

What we did.

To conduct this audit, CSA:

- Interviewed personnel of PPSD, eMerge, Controller, and the Department of Public Health (Public Health) about payroll processes.
- Surveyed the payroll processes and controls of 54 departments across the City.
- Analyzed two pay periods of citywide payroll data totaling 267,628 records.
- For a sample of 101 employees, tested whether selected pays were paid accurately and only to eligible employees.
  - CSA purposefully selected 67 employees by cross-referencing the top ten departments with the most employees whose pay fluctuated across two periods and the top ten job classifications with the most fluctuations.
  - CSA purposefully selected 23 other employees from the top ten departments whose pay fluctuated across two periods.
  - CSA purposefully selected 11 employees from ten randomly selected departments that were not the top ten departments with the most fluctuations.

Exhibit 6 shows the number of employees tested by job classification.

EXHIBIT 6 101 Employees Selected for Sample Are in 34 Job Classifications and 20 Departments

Classification Title	Number Selected	Classification Title	Number Selected
Police Officer	15	Chief District Attorney Investigator	1
Transit Operator	15	Gardener	1
Custodian	11	General Laborer	1
Firefighter	10	Head Attorney-Civil & Criminal	1
Registered Nurse	8	Legal Secretary	1
Deputy Sheriff	6	Librarian 2	1
Attorney(Civil/Criminal)	2	Manager I	1
Claims Investigator	2	Manager VI	1
Clerk	2	Painter	1
District Attorney Investigator	2	Personnel Analyst	1
IS Business Analyst	2	Public Safety Communications Supervisor	1
Principal Administrative Analyst	2	Public Service Trainee	1
Project Manager	2	Senior Eligibility Worker	1
Stationary Engineer	2	Senior Management Assistant	1
Arborist Technician	1	Social Work Supervisor	1
Asphalt Finisher Supervisor	1	Utility Plumber Apprentice	1
Building Inspector	1	Victim/Witness Investigator	1
Total in Sample: 101			

Source: Auditor's analysis

Statement of Auditing Standards

This performance audit was conducted in accordance with generally accepted government auditing standards. These standards require planning and performing the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. CSA believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

CHAPTER 1 – Eleven of 20 Departments Tested Should Improve Payroll Operations

Summary

Eleven of 20 departments tested need to improve their payroll operations. Although pay for the vast majority of the tested employees was accurate, pay errors existed for 10 (10 percent) of the 101 employees. The errors consisted of $3,340 in overpayments and $356 in underpayments, for a total of $3,696 in errors. Also, departments need to clarify certain provisions and better monitor adherence to citywide and departmental payroll policies and procedures. The results of the audit's testing are summarized below.

EXHIBIT 7 Summary of Department Test Results

Department	Results
Airport Commission	• Paid premium pay to one employee with no evidence of approval from an appointing officer.
Department of Building Inspection	• Overpaid $3,259 to an employee for whom it did not stop a special pay when the employee changed job classifications.
Department of Public Health	• Did not follow the proper process in approving educational leave pay. • Did not request proof of course completion from nurses who took educational leave with pay.
Fire Department	• Underpaid $235 for overtime hours worked. • Overpaid $51 for premium hours.
Human Services Agency	• Underpaid $20 in premium pay earned.
Office of the City Attorney	• Did not properly date timesheets.
Office of the District Attorney	• Improperly recorded the take-home use of duty vehicles as a taxable benefit for law enforcement employees who are exempt from this tax.
Police Department	• Did not properly date timesheets. • Lacks policies and procedures for the payment of fitness pay.
Recreation and Park Department	• Improperly approved lead worker pay *after* an employee worked as a lead worker. • Did not properly date a timesheet.
San Francisco Municipal Transportation Agency	• Underpaid $101 for overtime, regular, and premium pay hours worked. • Overpaid $30 for improperly calculated shift pay.

Department	Results
	• Did not always properly sign or date timesheets. • Lacks policies and procedures for the payment of guaranteed run pay and for documenting how it records and ensures that transit operators work their assigned runs.
Office of the Sheriff	• Did not always properly sign timesheets. • Did not indicate employees' daily shift start and end times on timesheets

Source: Auditor's Analysis

Finding 1.1 — Four departments incorrectly paid ten employees. Errors totaled $3,696, of which most were overpayments.

Pay errors resulted in both over- and underpayments.

Of the 101 employees in the sample, who were paid $868,062, 10 (10 percent), in four departments, were paid incorrectly, resulting in overpayments of $3,340 and underpayments of $356, for a total of $3,696 in errors.

Department of Building Inspection (Building Inspection)

The only Building Inspection employee selected for review, a building inspector, had a pay discrepancy that, according to Building Inspection, resulted in an overpayment of $3,259. The building inspector was incorrectly paid $3,259 of housing inspector certification premium pay from April 27, 2013, through January 17, 2014. Although the employee had ceased being a housing inspector after April 15, 2013, the department continued to issue the pay.

According to the City's MOU with the International Federation of Professional and Technical Engineers, Local 21, employees in housing inspector classifications who possess and maintain one of four specified certifications qualify for the pay, which can add up to a total of 4 percent in premium pay. According to payroll personnel at Building Inspection, the overpayment resulted from an oversight by the department when the employee changed classifications.

San Francisco Municipal Transportation Agency (SFMTA)

Of 17 SFMTA employees whose pay was audited, 5 (29 percent) had pay discrepancies. One employee had two pay errors. Of these 5 employees, 4 (80 percent) are transit operators and 1 is a painter. Pay discrepancies resulted in overpayments totaling $30 and underpayments totaling $101, and are identified below:

Twice during the sample period a transit operator was paid night duty pay incorrectly.

- One transit operator received two overpayments totaling $30. In both instances, the operator received night duty pay for shifts that he did not work.

  - In one instance, the employee, an extra board operator,[3] received $9 of night duty pay[4] for time he did not work. The employee ended his shift at 10:20 p.m., three hours and nine minutes earlier than his scheduled end time of 1:29 a.m. According to SFMTA, the operator was removed from his shift at that time because of a training he was required to attend the following morning. The MOU[5] states that no operator will be required to work without a minimum of eight hours off between the completion of the last shift and the commencement of the next shift. The operator was removed 8 hours and 40 minutes before the beginning of his 7 a.m. training. Also, the 8 percent night duty pay is only to be paid to transit operators for work performed from 6 p.m. until 6 a.m. However, the employee was paid night duty pay for all of the hours remaining on his run, which resulted in the unworked and unearned night duty pay. According to SFMTA, the night duty payment was manually entered, indicating that the SFMTA employee who did so mistakenly inputted incorrect values.

  - The same transit operator was overpaid night

[3] According to SFMTA management, extra board operators are used to fill vacant runs and do not have a regular assigned run.

[4] According to the MOU between SFMTA and Transport Workers' Union, Local 250-A (9163), operators shall be paid 8 percent more than the base hourly rate for work performed during night duty hours.

[5] MOU Between the SFMTA and Transport Workers' Union, Local 250-A (9163) for July 1, 2011, Through June 30, 2014.

duty pay of $21 due to a programming error in Trapeze OPS Version 12 (Trapeze), SFMTA's scheduling system for transit operators. The employee attended training from 7:00 a.m. to 3:30 p.m. and was not due night duty pay. However, he was instead incorrectly paid for a run that he had been scheduled to hold down[6] from 3:54 p.m. to 1:29 a.m. SFMTA's Trapeze Reference Guide for Operations Dispatch states that extra board operators are not guaranteed the pay of the run they are scheduled to hold down. As a result, the employee should not have received the night duty pay because he did not work the scheduled run and did not work any hours between 6 p.m. and 6 a.m. SFMTA stated that the training pay code used in Trapeze caused the error because it is programed to pay operators based on their scheduled run when in training. According to SFMTA, the pay code is set up this way because transit operators who are not extra boards are due the pay they would have received had they worked their scheduled run. To fix this pay code issue, SFMTA will have to establish a new pay code.

- An input error by SFMTA staff resulted in a transit operator being underpaid $69 in premium pay. An SFMTA manager stated that rather than paying the employee for the time he actually worked, she mistakenly paid the operator for an eight-hour shift. This resulted in the employee being underpaid night duty pay and overtime[7] pay.

- One transit operator was underpaid $10 due to SFMTA not compensating the employee for additional straight time pay that he qualified to receive. According to the MOU between SFMTA and Transport Workers' Union, Local 250-A (9163), operators assigned to work six or more hours of continuous work are to receive 20 minutes of

[6] "Holding down a run" occurs when an extra board transit operator signs up to work another transit operator's assigned run(s) for five or more days.

[7] According to the MOU between SFMTA and Transport Workers' Union, Local 250-A (9163), overtime is defined as, "all hours of work performed in excess of forty (40) hours in each established work week or eight (8) hours in a work day." Also, according to the MOU, SFMTA shall pay operators at the rate of time and one-half.

straight time pay in lieu of a lunch period. During the sample period, the employee worked multiple shifts that exceeded six continuous hours.

An SFMTA painter was not compensated for some of the premium pay hours he worked.

- One painter was underpaid $22 as a result of SFMTA not paying him for all premium pay hours he worked. Although the employee's timesheets indicate that he qualified to receive 19 hours of thermoplastic premium pay,[8] his actual pay showed he only received this pay for eight hours. SFMTA management was unsure why this underpayment occurred.

Fire Department

The Fire Department incorrectly calculated the pay of three employees, resulting in both over- and underpayments.

Of the ten Fire Department employees whose pay was audited, three (30 percent) had pay discrepancies. Pay discrepancies resulted in overpayments totaling $51 and underpayments totaling $235, and are identified below:

- Two firefighters were overpaid, one $45 and one $6. The Fire Department paid the employees holiday premium pay at a daily acting assignment rate rather than their regular pay rate. According to the firefighters' MOU,[9] for daily acting assignment premium, employees assigned to perform duties of a higher rank for a minimum of one full watch shall be paid at the rate of that rank while assigned. However, according to Fire Department staff, regular pay rates, not acting assignment pay rates, should be used to calculate the holiday premium. Also, according to the firefighters' MOU, holiday premium excludes overtime compensation and premiums. Therefore, the Fire Department overpaid the employees because including overtime compensation and premiums in calculating their holiday premium increases the holiday premium.

- One firefighter was underpaid $235 because Fire

[8] According to the San Francisco City Workers United (Painters) MOU, qualifying painters who are assigned to operate a thermoplastic applicator shall be paid a premium of $2 per hour for each hour the individual operates the applicator.

[9] MOU Between the City and County of San Francisco and San Francisco Fire Fighters Union Local 798, IAFF, AFL-CIO, Unit 1, Effective July 1, 2007, to June 30, 2015.

Department staff incorrectly paid a portion of his overtime hours at straight time rather than time-and-a-half. According to the firefighters'' MOU, all mandatory, unscheduled hours are to be compensated at the base hourly rate times 1.5. The employee was scheduled for two mandatory 24-hour shifts during the sample period. As such, he should have received 48 hours of overtime pay. Instead, he was paid for only 38 overtime hours and 10 overtime straight time hours.

Human Services Agency (Human Services)

Of the two Human Services employees whose pay was audited, one (50 percent) was underpaid. This employee, a social work supervisor, was underpaid $20 because the department used an incorrect bilingual premium pay code. According to the applicable MOU[10] (for miscellaneous employees), an employee in a designated bilingual position receives the bilingual pay premium based on the number of hours spent providing non-English services, including the use of Braille and sign language. Employees who provide more than 40 hours per pay period of non-English services as part of their regular job duties are to receive $60 per pay period, while an employee who provides fewer than 40 hours of these services per pay period is eligible to receive $40.

During the pay period, the employee provided more than 40 hours of bilingual service yet was paid only $40. Upon CSA's initial request for documentation for this audit, Human Services' payroll staff found the $20 pay discrepancy and submitted a Problem Description Form to PPSD to correct the error.

City payroll policy states that department payroll staff must ensure that employees' pay and time are accurate.

According to the City's Payroll Policies and Procedures Manual, each department's payroll staff is responsible for administering the department's payroll and ensuring that employees' time information is submitted accurately to PPSD. The policies also state that departmental payroll/personnel units need to review and be knowledgeable about the various pay programs that apply to their employees' job classifications. Further,

[10] Collective Bargaining Agreement Between and For Service Employees International Union (SEIU) Local 1021 and the City and County of San Francisco.

eMerge requires that a report of special pays be produced each pay period. Had these procedures been performed correctly, the incorrect payments may have been prevented.

Recommendations

The Department of Building Inspection, San Francisco Municipal Transportation Agency, Fire Department, and Human Services Agency should:

1. If they have not already done so, correct the pay errors identified by the audit by completing a Problem Description Form for each and submitting the form to the Office of the Controller's Payroll and Personnel Services Division.

2. Comply with the City and County of San Francisco Payroll Policies and Procedures Manual by reviewing employee time information for accuracy and appropriateness in accordance with applicable memorandums of understanding.

The San Francisco Municipal Transportation Agency should:

3. Create a new training pay code for extra board transit operators.

4. Review previous pay periods for at least one year to determine whether any additional extra board transit operators were affected by system-generated errors.

Finding 1.2

The Office of the District Attorney improperly taxed three law enforcement officers for commuting in their city vehicles.

The District Attorney incorrectly administered the commuting benefit for three employees who drive unmarked vehicles.

The Office of the District Attorney (District Attorney) erred by increasing the taxable income of three of its employees based on the commuting benefit of $3 per day. These employees drive their assigned city vehicles to and from work but are legally exempt from this being a taxable employee benefit because they are law enforcement officers. Because this commuting benefit was taxed when it should not have been, the three employees paid excess income tax and received too little

net pay.

As mandated by the Internal Revenue Service and PPSD, when an employee commutes more than once a month in a vehicle provided by the City, a $3 benefit must be added to the employee's taxable income for each day the vehicle is used to commute. However, unmarked law enforcement vehicles used for authorized purposes and operated by a full-time law enforcement officer are exempt from the taxation requirement.

The three employees, all investigators, use unmarked law enforcement vehicles for authorized purposes and are full time-law enforcement officers. As such, the employees are exempt from the commuting benefit.

Recommendations

The Office of the District Attorney should:

5. Cease the incorrect practice of increasing the taxable income of employees exempt from the commuting vehicle benefit and work with the Payroll and Personnel Services Division to determine how to retroactively correct the incorrect entries.

6. Review all its other employees and determine whether or not they are subject to the commuting vehicle benefit being taxable income. If other employees are found to be exempt, their payroll status should be changed accordingly.

Finding 1.3

Timesheets and other payroll authorizations are not fully and properly approved and dated.

Six city departments did not properly review, approve, or date timesheets.

A review of 20 city departments found that 6 departments' supervisors do not properly approve timesheets, temporary assignments, or pay adjustment forms. Specifically:

- Of a sample of 15 Police Department employees, 13 (87 percent) had timesheets and other reports for overtime and premium pays that were not dated by a commanding officer.

- Of a sample of 17 SFMTA employees, 1 (6

percent), a supervisor, did not sign or date his unit's timesheets.

- Of a sample of 6 Office of the Sheriff's employees, the department used printed e-mail messages or faxed timesheets as supervisory approvals for 2 employees (33 percent). These e-mails and faxed timesheets do not contain evidence of the supervisor's approval.

- Of a sample of 5 Recreation and Park Department's employees, 2 (40 percent) had a premium pay status or timesheet missing an approval or date. One employee, who was assigned as a lead worker, had not had the assignment approved before it commenced. For another employee, the supervisor did not date the employee's timesheet.

- Of a sample of 5 Office of the City Attorney's employees, 2 (40 percent) had timesheets that lacked a date next to the supervisor's signature.

- Of a sample of 11 Airport Commission's employees, 1 (9 percent) received differential pay although an appointing officer did not sign the pay form to indicate approval.

City payroll policies require proper approvals of payroll authorizations before the transmission of such authorizations to payroll staff.

The City's Payroll Policies & Procedures Manual, Section 2, under "Control Guidelines," requires that payroll authorizations, including but not limited to, timesheet approval, problem description forms, and pay rate changes must be properly documented. Also, Section 2, under "Time and Attendance Reporting," states that completed timesheets should be reviewed and certified by direct supervisors before the transmission of such timesheets to department payroll/personnel staff.

Proper timely approval can only be evidenced if payroll forms include both the approver's signature and the date of the approver's signature. Without proper supervisory approval, the City may incorrectly pay employees for unapproved or incorrect time submitted. Without properly dating the payroll authorizations to indicate when they were approved, the City is at risk of paying an employee before formal approval is given.

Recommendation

7. The Police Department, San Francisco Municipal Transportation Agency, Office of the Sheriff, Recreation and Park Department, Office of the City Attorney, and Airport Commission should ensure that supervisors approve and date all payroll authorizations.

Finding 1.4

The hours of shifts eligible for shift pay are not shown on some Office of the Sheriff's timesheets.

Most tested Sheriff's Department timesheets do not indicate the hours of the day deputies worked to earn premium shift pay.

The City's MOU with the Deputy Sheriffs' Association of San Francisco specifies the timeframes (hours of the day) and premium percentages for shift pay. Of two employees who received shift pay, the hours of the day were not indicated on two timesheets for one of the employees. According to payroll staff, it has not been department practice to include this information on timesheets.

Further, if an employee takes sick leave, vacation, or another form of leave and works hours that qualify for shift pay on the same day, payroll staff does not obtain the timeframe of the leave, so cannot verify that the hours of work qualify for the shift premium. Because the timesheets do not show the hours of the day that the employee took leave, payroll staff does not know—and does not verify—how to allocate the hours eligible for the shift premium.

Adding to timesheets the start and end times that employees took leave will increase clarity regarding their eligibility for shift pay. Without documentation of employees' hours worked, the Office of the Sheriff's Payroll unit cannot determine whether the employee should earn shift pay, which can result in payroll errors and over- and underpayments.

Recommendations

The Office of the Sheriff should:

8. Include on all timesheets the scheduled shift hours for employees covered by the memorandum of understanding with the Deputy Sheriffs' Association of San Francisco.

9. Include on timesheets the hours of the day that the employee took leave if the employee is to receive shift pay.

Finding 1.5 — SFMTA and the Police Department lack policies and procedures for certain types of pay or payroll processes.

SFMTA and the Police Department lack policies and procedures for some special pays as discussed below.

SFMTA lacks documented policies on guaranteed run pay for transit operators.

Guaranteed run pay. SFMTA lacks adequate policies and procedures for guaranteed run pay. Although CSA verified with Human Resources that SFMTA's practice of guaranteeing full run pay (including shift premiums[11]) for non-extra board transit operators is allowable, according to its management, SFMTA does not have documented policies and procedures regarding the pay. Guaranteed run pay allows non-extra board transit operators to be compensated at their scheduled pay (including any premiums) when they do not work the assigned transit run. Non-extra board operators also receive guaranteed run pay when they are required to attend training or are reassigned to other tasks.

A lack of written policies and procedures could cause SFMTA payroll personnel to incorrectly implement guaranteed run pay. SFMTA must document its policies and procedures on guaranteed run pay to provide clear guidance to all payroll staff.

Process for recording attendance. SFMTA lacks procedures for documenting how it records and ensures that transit operators worked their assigned runs. According to SFMTA, Trapeze is pre-loaded with transit operators' pre-determined scheduled runs that include the associated time and shift for which the run is scheduled. The work time of the run and the shift determines the associated pay. Then, each day, dispatchers fill vacant runs with available transit operators. Dispatchers also enter adjustments in Trapeze due to absences or overtime. SFMTA uses this

[11] Premiums include additional pays employees might receive in addition to their base wage. Night shift pay is an example of a premium.

method to determine pay for transit operators; however, it is not documented.

According to SFMTA, some transit operators also use daily registers to report that they worked, but daily registers are not consistently used across SFMTA divisions. Daily registers are rosters that include transit operators' names, identification numbers, and assigned run start times. When the daily registers are used, transit operators either sign in, or if they begin a run away from the division, they may call in to report to a dispatcher, who enters a telephone number in the register rather than the operator signing in. According to SFMTA, the daily register is not used to verify that a transit operator worked or to verify that a transit operator is entitled to pay.

Daily registers for two transit operators lacked evidence that they reported to work, and SFMTA could not provide some daily registers.

CSA verified SFMTA's inconsistent use of daily registers. Of a sample of six transit operators:

- Two did not always sign in on daily registers or there was no evidence that they called in to indicate that they reported for their shifts. Of these, one failed to sign in on daily registers or there was no evidence that he called in to report to work on 3 (16 percent) of the 19 days worked during the sample period, while the second operator failed to sign in or call in on 2 (12 percent) of the 17 days worked during the sample period.

- For one there were no daily registers (the division could not provide them). Overall, for the six transit operators in the sample, an additional 4 (14 percent) of the 28 daily registers requested for the audit for the period of January 4 through 31, 2014, could not be provided. According to the SFMTA's record retention and destruction schedule, payroll records, including transit operators' details, should be maintained for seven years.

All six of the transit operators in the sample were appropriately scheduled in Trapeze. Per SFMTA management, the registers could not be located or lacked evidence of attendance because daily registers are not used consistently and because SFMTA had recorded the operators' attendance in Trapeze.

As required by the City's Payroll Policies and Procedures Manual, each department is responsible for instituting internal policies and practices. Therefore, SFMTA should appropriately document policies and procedures that it will apply consistently within its divisions.

The Police Department lacks policies and procedures on fitness leave pay.

The Police Department does not have written policies and procedures on how police physical fitness leave pay (fitness leave pay) is earned and used, and no authoritative document describes the amount of compensation for this pay.

Fitness leave pay. Of 15 police employees tested, 4 (27 percent) received fitness leave pay. According to the Police Department, its Payroll Unit communicates regularly with the Police Academy regarding employees who become eligible for this pay, but the Payroll Unit does not document or track employees' hours.

Without procedures and documentation, payroll clerks may not be able to efficiently and easily verify that hours earned by employees agree to hours actually paid. According to the Police Department, employees can earn up to 40 hours of fitness leave pay by taking a fitness assessment test that occurs twice a year, and these hours must be used within 12 months of the test date.

The San Francisco Police Officers Association MOU refers to the department's Physical Fitness Program Information Booklet and General Order 11.10 to outline the Physical Fitness and Wellness Evaluation Program, to which fitness leave pay is related, but the booklet and order have not been updated since 1993 and 1997, respectively. Further, the order refers back to the MOU regarding compensation, but the current MOU does not specify how police fitness leave pay is to be earned and used or the rate of pay that applies.

According to the City's Payroll Policies and Procedures Manual, city departments are responsible for developing detailed policies and procedures to fit their specific needs and operations and to ensure that adequate controls for payroll operations have been established and are being implemented.

Recommendations

The San Francisco Municipal Transportation Agency should:

10. Develop policies and procedures that provide additional guidance on the implementation of guaranteed run pay for non-extra board transit operators.

11. Develop policies and procedures that specify the requirements for how it records and ensures that transit operators worked their assigned runs. If it chooses to require daily registers, SFMTA should ensure that these documents are retained for seven years, as required by its record retention and destruction schedule.

The Police Department should:

12. Develop policies and procedures regarding physical fitness leave pay for payroll staff to use and ensure that the policies and procedures include how hours are earned and used for this pay.

Finding 1.6

Department of Public Health did not always follow the approval process for educational leave with pay.

A nurse's request for paid educational leave was made and approved for a day on which the nurse did not attend training or an educational course.

Of eight nurses tested, one (13 percent) did not follow the MOU-required approval process for educational leave with pay (educational leave). As a result, the nurse improperly used educational leave as paid time off. Also, the Department of Public Health (Public Health) created a false pay record, which indicated that the nurse was paid for a training day when he was actually not in training.

Full-time and regularly scheduled part-time nurses represented by the Service Employees International Union (SEIU), Local 1021, are allowed 40 hours of educational leave with pay per fiscal year, or a prorated share of their normal number of hours, to achieve or maintain their position's licensing and educational requirements. According to the SEIU Local 1021 MOU for staff and per diem nurses, the approval of educational

leave is subject to staffing requirements. It is to be submitted one month in advance of the course date, when possible, and approved by the appropriate administrator.

The Public Health nurse completed 14 hours of training on a day off. For this training, the nurse submitted a request for approval for 12 hours of educational leave for a date 11 days later, had the request approved, and charged the educational leave for the approved day.

According to Human Resources, educational leave is time off for coursework that coincides with a nurse's work schedule and should not be used as an offset for coursework taken on personal time.

Recommendations

The Department of Public Health should:

13. Require that requests for educational leave with pay be submitted before the training or course date, consistent with the applicable memorandum of understanding.

14. Ensure that the educational leave with pay requested is for hours during which the employee plans to attend training or educational courses.

Finding 1.7

Public Health does not request proof of course completion from nurses who have taken educational leave with pay.

Although the MOU allows the department to request proof of completion for courses and training taken during educational leave with pay, Public Health has not required such proof.

According to Public Health payroll staff, the department does not require that nurses provide proof of course completion after they take educational leave. When CSA requested documentation of course completion for educational leave taken, the payroll unit had to request the documentation from the nurses. Without proof of completion, payroll staff has no way to verify that nurses used educational leave for its intended training and educational purposes. This, in turn, increases the risk that nurses will misuse educational leave with pay for personal or unrelated purposes without detection.

According to the SEIU Local 1021 MOU for staff and per diem nurses, the department may request adequate

proof indicating successful completion of a course taken during educational leave. If a nurse fails to provide proof when requested, the department may rescind approval for the educational leave taken and record those hours as absent without leave.

A payroll supervisor states that although it is allowed to request proof of completion by the SEIU Local 1021 MOU for staff and per diem nurses, the department has not required it. The department notes that although 90 to 95 percent of nurses already submit documentation for this leave to the payroll unit, it is now establishing educational leave pay procedures that will require proof of course completion.

Recommendation

15. The Department of Public Health should establish procedures to request proof of course completion from nurses after they have taken educational leave with pay. If an employee fails to provide adequate proof, rescind approval for the hours taken as educational leave with pay and record those hours as absent without leave.

CHAPTER 2 – Aspects of Payroll Processes and Controls Need Improvement

Summary

The payroll process that city departments follow is generally adequate but has various control deficiencies, including lack of documentation requirements, key elements missing from standard approval forms, and other general processing concerns. Based on CSA's internal controls survey of 54 city departments, some departments are not following proper procedures. The survey found that, of the 54 departments:

- 13 (24 percent) do not enter time into the PeopleSoft system weekly.
- 5 (9 percent) believe that only some pay rate changes must be properly documented.
- 3 (6 percent) reviewed less than 10 percent of time entries and associated documents.

Finding 2.1

The City's payroll processes have control deficiencies.

In conjunction with various city departments, CSA identified control deficiencies in the city's payroll processes.

Of the 54 city departments, in October and November 2013 CSA met with representatives from PPSD, eMerge, and the payroll and Human Resources units of the Controller and Public Health to document the payroll processes the City generally follows. The processes reviewed included:

- Onboarding – preparing for a new employee to be paid through PeopleSoft.
- Payment – paying an employee.
- Data Changes – adding or removing premium pays that impact base pay rates, changing base pay rates, and transferring employees.
- Leaves – accounting for an employee on paid or unpaid leave.
- Separation – removing an employee's record from PeopleSoft either due to a separation or retirement.

The various control deficiencies identified in the process reviews are summarized in Exhibit 8.

EXHIBIT 8 Reported Control Deficiencies in the City's Payroll Processes

Process	Control Deficiency
Onboarding	• Reviews, although performed, are not always documented.
	• If an employee will be hired at a base rate higher than the first step of the job classification, this needs to be pre-approved, but the approval is not documented on the appointment processing form.
	• The appointment processing form is not reviewed before it is transmitted to Human Resources for pay rate entry.
Payment	• Documentation is not required for an employee to receive some special pays.
	• PeopleSoft has no system warnings for unusual entries.
	• Some payroll clerks enter time biweekly, which increases the risk of inaccurate entries by forcing an increased workload in a two-and-a-half-day period, based on when payroll data must be submitted for processing.
	• After payroll information is entered in PeopleSoft, departmental reviews are not standardized and/or required and may not be performed correctly.
	• Queries, which are used to generate reports of payroll data, are often created by requests from departments but may not be clearly communicated citywide.
	• Departments have no uniform policy to follow regarding check distribution. As a result, distribution of checks varies greatly by department size and by the number of employees receiving checks and stubs.
Data Changes	• The form used for supervisory differential premium pay does not show the date the pay should begin.
	• The forms for supervisory differential and acting assignment premium pays lack an explanation of how the premiums were calculated.
	• No policy requires reviews of special pay reports.
	• When an employee's base rate is increased due to a step progression, the progression is not required to be reviewed and, if review occurs, it is not visible in PeopleSoft.
Leaves	• When on a leave that results in payments from the State of California, an employee does not submit payment stubs to the City, which increases the risk that the employee may get more or less leave pay than previously communicated.
	• The fact that an employee is on paid leave is not entered into the system, which prevents departments from having accurate headcounts.
	• Tracking of the Family and Medical Leave Act (FMLA) end date is manual, and citywide procedures for monitoring FMLA do not exist.
Separation	• After an employee separates, the payroll register at the employee's former department is not reviewed to ensure that the employee is no longer paid.
	• Departments must complete multiple steps for retirements to be processed correctly, and these steps are not formally documented.

Source: CSA analysis based on information from PPSD, eMerge, Controller's Human Resources, and Public Health staffs.

Although the City's payroll process is generally adequate, by addressing the control deficiencies identified, the payroll process and the documentation supporting the payroll process would be improved. Implementing controls, such as formalizing reviews, would lessen risks such as incorrect or improperly supported payments.

CSA provided these control deficiencies and related recommendations to PPSD and eMerge. Some of the deficiencies were addressed in November 2013 when eMerge began releasing a list of required queries that departments must use during the biweekly payroll process and when PPSD issued, in December 2013, the City's Payroll Policies & Procedures Manual.

Recommendation

16. The Office of the Controller's Payroll and Personnel Services Division and eMerge Division should review the control deficiencies identified in this audit and consider corrective actions, such as creating additional system controls or required procedures for departments to follow.

Finding 2.2 **Some city departments' survey responses indicate that they lack significant payroll internal controls.**

In April 2014, to gain a general understanding of how departments process payroll and conduct related functions, CSA surveyed 54 city departments about their internal controls over payroll. CSA developed the survey questions based on the City's Payroll Policies & Procedures Manual.

Departments have guidance on payroll controls.

PPSD issued the City's Payroll Policies & Procedures Manual to enable departments to use baseline payroll processing controls that affect departments' ability to perform key payroll procedures in standardized ways.

Some departments answered significant payroll control questions incorrectly.

A few city departments gave responses to CSA's payroll survey questions that indicate a lack of payroll controls, including a lack of proper payroll procedures. Exhibit 9 shows the question, correct answer, and the number of departments that answered contrary to what is required by city policies and procedures. (Appendix A shows all of the survey's questions and correct answers.)

EXHIBIT 9 Results of Payroll Internal Controls Survey

Survey Question	Required Procedure	Number of departments that indicate they do not meet (or understand) the requirement
1. How often is time entered in PeopleSoft for the department's timekeeping system?	Weekly	13
2. Approximately what percentage of time entries and associated documents are reviewed by the department's payroll supervisor?	10% or more	3
3. Does the department monitor, reconcile, and routinely audit PeopleSoft pay reports?	Yes	2
4. True or False: Only some pay rate changes must be properly documented and follow the requirements of the Human Resources Classification and Compensation Manual and/or MOU.	False	5
5. Before premium pays are paid to an employee, does payroll verify that the employee is eligible for the premium pay?	Yes	2
6. Is your department aware of the PeopleSoft reports that exist and does it regularly produce and review these reports after managing additional pays, time entry, and time administration? (See Appendix A for the list of queries.)	Yes	9-21
7. Check the box if applicable to the department: ・ Sick Leave – Department has a written policy ・ Sick Leave – Policy is followed	Departments are to have a written policy for all items and the policies are to be followed.	4
・ Vacation – Department has a written policy ・ Vacation – Policy is followed		3
・ Holiday – Department has a written policy ・ Holiday – Policy is followed		6
・ Overtime/Compensatory Time – Department has a written policy ・ Overtime/Compensatory Time – Policy is followed		3
・ Stand-By-Time – Department has a written policy ・ Stand-By-Time – Policy is followed		3
・ Payroll Adjustments – Department has a written policy ・ Payroll Adjustments – Policy is followed		5
・ Payroll Changes (including pay step increases) – Department has a written policy ・ Payroll Changes (including pay step increases) – Policy is followed		5
8. Is a checklist used for the termination of an employee?	Yes	5

Source: Payroll internal Controls Survey administered by CSA.

Controls are the first line of defense for safeguarding assets and preventing and detecting errors and fraud.

The questions and answers in Exhibit 8 are indicators of important payroll controls. For example, regarding Question 1, without weekly time entry, a department may be unable to enter all payroll information for payroll processing within the required timeframe, which is two-and-a-half working days after the pay period ends. This could result in employees not being paid on time or being paid incorrectly. Regarding Question 2, without reviews and reconciliations, payroll errors could go undetected, resulting in over- and underpayments. Regarding Question 6, departments must view certain queries to monitor time and/or pay. And regarding Question 7, without documented procedures, payroll clerks may inconsistently process payroll, and the clerks' duties may not be easily taken on by a new employee when a payroll clerk leaves.

According to the U.S. Government Accountability Office, controls encompass the plans, methods, and procedures used to meet missions, goals, and objectives, and controls are the first line of defense in safeguarding assets and preventing and detecting errors and fraud. There is an increased risk that errors and fraud may go undetected at departments that do not follow the payroll manual and review required eMerge queries.

Recommendations

The Office of the Controller's Payroll and Personnel Services Division should:

17. Review departments' audit survey responses that indicate that they do not meet (or understand) the requirements of the City's Payroll Policies & Procedures Manual and follow-up directly with these departments for corrective action. The City Services Auditor Division will provide the departments identified.

18. Ensure departments run required queries, and create a requirement for departments to request from the Payroll and Personnel Services Division an exemption from running a required query if the department believes the query does not apply to its environment and the Payroll and Personnel Services Division agrees.

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APPENDIX A: CITYWIDE PAYROLL SURVEY RESULTS

CSA surveyed 54 city departments about their internal controls over payroll.

No.	Question	Requirement or Best Practice	Number of departments that indicate that they do not meet (or understand) the requirement
1	How often is time entered in PeopleSoft for the department's timekeeping system?	Weekly	13
2	Approximately what percentage of time entries and associated documents are reviewed by the department's payroll supervisor?	10% or more	3
3	Does the department monitor, reconcile, and routinely audit PeopleSoft pay reports?	Yes	2
4	In what types of instances does the department use the Problem Description Form (PDF)?	Examples include: - Correct underpayment, overpayment, or non-payment of wages - Correct a deduction error or tax error - Cancel an unauthorized paycheck - Return an undeliverable paycheck - Change an incorrect paid-hours code - Deduct an employee's court compensation for jury duty - Adjust for the waiting period for an employee who has received Workers' Compensation or State Disability Insurance (SDI) benefits.	1
5	Are confidential payroll records and reports, including payroll change forms (problem description forms), safeguarded in a locked area accessible only by authorized personnel?	Yes	0
6	Check the box if applicable to the department:	Departments to have written policy for all items and the policy are followed.	4

No.	Question	Requirement or Best Practice	Number of departments that indicate that they do not meet (or understand) the requirement
	• Sick Leave – Department has a written policy • Sick Leave – Policy is followed		
	• Vacation – Department has a written policy • Vacation – Policy is followed		3
	• Holiday – Department has a written policy • Holiday – Policy is followed		6
	• Overtime/Compensatory Time – Department has a written policy • Overtime/Compensatory Time – Policy is followed		3
	• Stand-By-Time – Department has a written policy • Stand-By-Time – Policy is followed		3
	• Payroll Adjustments – Department has a written policy • Payroll Adjustments – Policy is followed		5
	• Payroll Changes (including pay step increases) – Department has a written policy • Payroll Changes (including pay step increases) – Policy is followed		5
7	Does the department have written procedures for reviewing and managing employee disability benefits?	Yes	11
8	How does the department ensure that an employee receives the appropriate step increase? Please explain.	PeopleSoft report MRG_HR0185_EE_MERIT_INCR_REMND (merit reminder query) is available to help departments identify employees who are due for a step increase.	1
9	True or False: Only some pay rate changes must be properly documented and follow the requirements of the Human Resources Classification and Compensation Manual and/or MOU.	FALSE	5
10	What is the process for ensuring that separated employees no longer receive pay? Please explain.	Deactivate the employee in PeopleSoft	15

No.	Question	Requirement or Best Practice	Number of departments that indicate that they do not meet (or understand) the requirement
11	Do the department payroll personnel ensure that all employees that go on unpaid leave or terminate have their Time Reporter data deactivated?	Yes	7
12	Is a checklist used for the termination of an employee?	Yes	5
13	Are overtime hours, compensatory time, altered work schedules, and other similar work time approved before the hours are worked?	Yes	2
14	Does the department review available vacation, sick and compensatory time accruals before posting paid time off?	Yes	1
15	Do payroll personnel review submitted vacation and compensatory time for approval documentation before entering/approving the reported time?	Yes	15
16	Does the department have procedures for managing and reviewing employees' absence balances?	Yes	13
17	Before premium pays are paid to an employee, does payroll verify that the employee is eligible for the premium pay?	Yes	2
18	Do you maintain supporting documentation to support the premium pay?	Yes	1
19	Does the department monitor additional pays (acting assignment pay, supervisory differential pay, police motorcycle pay)?	Yes	5
20	How often does the department monitor additional pays (acting assignment pay, supervisory differential pay, police motorcycle pay)?	At least quarterly	5
21	When do you override pay rates?	Various possible responses	0

No.	Question	Requirement or Best Practice	Number of departments that indicate that they do not meet (or understand) the requirement
22	Are manual checks distributed by an employee who is involved in the payroll preparation?	No	26
23	Does the department review the most updated "Combined Leave Balance Report" or use online Employee Leave balance pages before approving compensatory or leave time?	Yes	9
24	Check the box if applicable to the department: MRG_TL_ADDL_PAY_EMPL_LIST - Lists all employees in department with Incentives on Additional Pay by Pay Period End date. - Department is aware of this PeopleSoft report MRG_TL_ADDL_PAY_EMPL_LIST - Lists all employees in department with Incentives on Additional Pay by Pay Period End date. - Department regularly produces and reviews this PeopleSoft report after managing additional pays	Department is aware of this PeopleSoft report and regularly produces and review this PeopleSoft report after managing additional pays.	12
	MRG_TL_ADDL_PAY_NOTEQL_UNION - Lists employees with Additional Pay that is not allowed by their Union (Workgroup). These Additional Pays need to be made inactive or ended before Payroll processing begins. - Department is aware of this PeopleSoft report MRG_TL_ADDL_PAY_NOTEQL_UNION - Lists employees with Additional Pay that is not allowed by their Union (Workgroup). These Additional Pays need to be made inactive or ended before Payroll processing begins. - Department regularly produces and reviews this PeopleSoft report after managing additional pays		21

No.	Question	Requirement or Best Practice	Number of departments that indicate that they do not meet (or understand) the requirement
25	Check the box if applicable to the department: MRG_TL_RPTHRS_NOTEQL_STDHRS - Lists employees where Standard hours are not equal to reported hours. - Department is aware of this PeopleSoft report	Department is aware of this PeopleSoft report and regularly produces and reviews this PeopleSoft report after time entry.	14
	MRG_TL_RPTHRS_NOTEQL_STDHRS - Lists employees where Standard hours are not equal to reported hours. - Department regularly produces and reviews this PeopleSoft report after time entry		
	MRG_TL_FT_REGWUNPD_HRS_NOT_80 - Lists Full Time employees with reported time not equal to 80 regular hours. Correct timesheet, if needed. - Department is aware of this PeopleSoft report		9
	MRG_TL_FT_REGWUNPD_HRS_NOT_80 - Lists Full Time employees with reported time not equal to 80 regular hours. Correct timesheet, if needed. - Department regularly produces and reviews this PeopleSoft report after time entry		
26	Check the box if applicable to the department: MRG_TL_ESTIMATED_EARNINGS_DTLS - Lists total hours and pay by Time Reporting Code (TRC). - Department is aware of this PeopleSoft report	Department is aware of this PeopleSoft report and regularly produces and reviews this PeopleSoft report after time administration.	21
	MRG_TL_ESTIMATED_EARNINGS_DTLS - Lists total hours and pay by Time Reporting Code (TRC). - Department regularly produces and reviews this PeopleSoft report after time administration		

No.	Question	Requirement or Best Practice	Number of departments that indicate that they do not meet (or understand) the requirement
	MRG_TL_EES_WITH_PAID_TIME - Lists employees in your department with paid time. - Department is aware of this PeopleSoft report MRG_TL_EES_WITH_PAID_TIME - Lists employees in your department with paid time. - Department regularly produces and reviews this PeopleSoft report after time administration		19
	MRG_TL_EXCEPTION_GRP - Lists employees with exceptions by group. - Department is aware of this PeopleSoft report MRG_TL_EXCEPTION_GRP - Lists employees with exceptions by group. - Department regularly produces and reviews this PeopleSoft report after time administration		12
	MRG_TL_LWOP_BY_EMPL - Lists employees with any Leave without Pay (LWOP) hours during the pay period. - Department is aware of this PeopleSoft report MRG_TL_LWOP_BY_EMPL - Lists employees with any Leave without Pay (LWOP) hours during the pay period. - Department regularly produces and reviews this PeopleSoft report after time administration		11
	MRG_TL_PT_GRTHAN_STDHRS - Lists Part Time & As-needed employees with reported hours greater than 2 times their Standard Hours, as shown in Job Data. - Department is aware of this PeopleSoft report MRG_TL_PT_GRTHAN_STDHRS - Lists Part Time & As-needed employees with reported		21

No.	Question	Requirement or Best Practice	Number of departments that indicate that they do not meet (or understand) the requirement
	hours greater than 2 times their Standard Hours, as shown in Job Data. - Department regularly produces and reviews this PeopleSoft report after time administration		
	MRG_TL_NO_PAYABLE_TIME - Used to identify Active and Paid Leave employees who have no Payable Time by department. - Department is aware of this PeopleSoft report MRG_TL_NO_PAYABLE_TIME - Used to identify Active and Paid Leave employees who have no Payable Time by department. - Department regularly produces and reviews this PeopleSoft report after time administration		14
	CCSF Payable Time Report (MTL0138) - Lists the time on the timesheet by status selected for Payable Time. - Department is aware of this PeopleSoft report CCSF Payable Time Report (MTL0138) - Lists the time on the timesheet by status selected for Payable Time. - Department regularly produces and reviews this PeopleSoft report after time administration		10

APPENDIX B: DEPARTMENT RESPONSES

AIRPORT COMMISSION:

San Francisco International Airport

November 5, 2014

Ms. Tonia Lediju
Director of City Audits
Office of the Controller
City Services Auditor Division
City and County of San Francisco
1 Dr. Carlton B. Goodlett Place, Room 476
San Francisco, CA 94102

Subject: Response to Citywide Payroll Audit

Dear Ms. Lediju:

In response to your e-mail to Mr. John L. Martin, Airport Director, dated October 27, 2014, attached is the completed response from San Francisco International Airport regarding the Citywide Payroll Audit.

We appreciate the time and effort of your staff in conducting this audit. If you have any questions or require further information, please contact me at (650) 821-5016.

Sincerely,

Linda S. Yeung
Director
People, Performance & Development

Attachment

cc: John L. Martin
Ivar Satero
Julian Potter
Richard Frattarelli
Wallace Tang
Kate Chalk - CSA

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

EDWIN M. LEE *MAYOR* | LARRY MAZZOLA *PRESIDENT* | LINDA S. CRAYTON *VICE PRESIDENT* | ELEANOR JOHNS | RICHARD J. GUGGENHIME | PETER A. STERN | JOHN L. MARTIN *AIRPORT DIRECTOR*

Post Office Box 8097 San Francisco, California 94128 Tel 650.821.5000 Fax 650.821.5005 www.flysfo.com

OFFICE OF THE CITY ATTORNEY:

CITY AND COUNTY OF SAN FRANCISCO

DENNIS J. HERRERA
City Attorney

OFFICE OF THE CITY ATTORNEY

LAUREL TURNER
MANAGER OF ADMINISTRATIVE SERVICES

Email: laurel.turner@sfgov.org

TO: Tonia Lediju
Director of City Audits

FROM: Laurel Turner
Manager of Administrative Services

DATE: November 7, 2014

RE: Citywide Payroll Audit

Attached please find our response to the recent payroll audit.
Thank you.

DEPARTMENT OF BUILDING INSPECTION:

City and County of San Francisco
Department of Building Inspection

Edwin M. Lee, Mayor
Tom C. Hui, S.E., C.B.O., Director

November 6, 2014

Ms. Tonia Lediju
Director of City Audits
City Services Auditor Division
Office of the Controller
City Hall, Room 476
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Subject: Department of Building Inspection Response to the Citywide Payroll Audit

Dear Ms. Lediju:

We have reviewed the draft report of the Citywide Payroll Audit. We appreciate the time effort of your staff in conducting this audit. Attached for your review, please find DBI's response.

If there are additional questions, please contact Taras Madison, Deputy Director of Administrative Services at (415) 558-6239.

Sincerely,

Tom C. Hui

Tom C. Hui, S.E., C.B.O.
Director/Chief Building Official

cc: Taras Madison, Deputy Director, Administrative Services
Emily Morrison, Personnel and Payroll Manager

OFFICE OF THE DIRECTOR
1660 Mission Street – San Francisco CA 94103
Office (415) 558-6131 – FAX (415) 558-6225
Website: www.sfdbi.org

OFFICE OF THE DISTRICT ATTORNEY:

CITY AND COUNTY OF SAN FRANCISCO

OFFICE OF THE DISTRICT ATTORNEY

GEORGE GASCÓN
District Attorney

October 27, 2014

Tonia Lediju
Director of City Audits
City Hall, Room 476
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Subject: Citywide Payroll Audit: Eleven Departments Incorrectly Paid Employees, Improperly Approved Time, or Lacked Compliance with Citywide Policies and Procedures.

Dear Ms. Lediju,

Thank you for providing us the opportunity to review the audit report '*Citywide Payroll Audit: Eleven Departments Incorrectly Paid Employees, Improperly Approved Time, or Lacked Compliance with Citywide Policies and Procedures*,' as prepared by the Controller's City Services Auditor Division. We appreciate the thoroughness and courtesy of your staff during this audit engagement period.

The Office of the District Attorney is in agreement with the findings and recommendations from this audit report. Attached is the required Audit Recommendation and Response form. If you have any questions please do not hesitate to contact Eugene Clendinen at (415) 553-1895.

Sincerely,

George Gascón
District Attorney

c: Eugene Clendinen,
Evette Taylor Monachino

850 BRYANT STREET, ROOM 301 · SAN FRANCISCO, CALIFORNIA 94103
RECEPTION: (415) 553-1030 · FACSIMILE: (415) 553-1410

eMERGE DIVISION:

CITY AND COUNTY OF SAN FRANCISCO — OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

MEMORANDUM

TO: Tonia Lediju
Director of City Audits
City Services Auditor Division

FROM: Jack Wood
Director, eMerge Division
Office of the Controller

DATE: December 18, 2014

SUBJECT: Citywide Payroll Audit

As noted in our submitted Recommendation and Response Form, the eMerge Division will collaborate with CSA Audits, PPSD and DHR to help resolve Recommendation 16 and Recommendation 18. With regard to Recommendation 16 and the items listed in Exhibit 7 (Reported Control Deficiencies in the City's Payroll Processes), many of those listed deficiencies are policy or operational issues which will need to be addressed by PPSD and/or DHR. eMerge will assist with the items that can be resolved through systematic changes in PeopleSoft.

Please let me know if you have any further questions for eMerge on those items.

Cc: Dennis McCormick

415-554-7500 City Hall • 1 Dr. Carlton B. Goodlett Place • Room 316 • San Francisco CA 94102-4694 FAX 415-554-7466

FIRE DEPARTMENT:

JOANNE HAYES-WHITE
CHIEF OF DEPARTMENT

EDWIN M. LEE
MAYOR

SAN FRANCISCO FIRE DEPARTMENT
CITY AND COUNTY OF SAN FRANCISCO

November 10, 2014

Tonia Lediju, Director of City Audits
Office of the Controller
City Services Auditor
City Hall, Room 476
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

RE: Citywide Payroll Audit

Dear Ms. Lediju:

Enclosed are the Fire Department's responses to the audit recommendations regarding its payroll operations based on data of 10 selected employees from two pay cycles in January 2014. The audit specifically evaluated payroll fluctuations (i.e., underpayments and overpayments) and compliance with records retention and MOU pay provisions.

The Fire Department appreciates its continued collaboration with the Controller's Audit Team. Though not as extensive as prior efforts, this payroll audit demonstrated that the Fire Department has improved in its payroll accuracy. With regard to records retention, staff intimated to me that they do not prematurely destroy documents. The issue of locating hard copies during the audit seemed to stem from the overwhelming amount of records they handle without a robust records management and filing system in place. We are exploring ideas on how to effectively maintain voluminous records Department-wide so that historical forms and reports can be readily accessed, preferably in scanned electronic versions.

698 SECOND STREET • SAN FRANCISCO, CA 94107 • 415.558.3400
WWW.SF-FIRE.ORG

I would like to thank your staff for their diligent work in performing this Citywide Payroll Audit. As in the prior audit involving our pay practices and procedures, the Department will duly regard the resulting findings and recommendations to guide our ongoing efforts to improve our payroll practices and procedures.

Sincerely,

Joanne Hayes-White
Chief of Department

Enclosures

cc: Irella Blackwood, Lead Audit Manager
Katie Chalk, Audit Manager
Jonathan Collum, Auditor-in-Charge

HUMAN SERVICES AGENCY:

City and County of San Francisco

Edwin M. Lee, Mayor

Human Services Agency
Department of Human Services
Department of Aging and Adult Services

Trent Rhorer, Executive Director

November 6, 2014

Tonia Lediju
Director of City Audits
City Services Auditor Division
Office of the Controller
1 Dr. Carlton B. Goodlett Place
City Hall, Room 476
San Francisco, California 94102

RE: Citywide Payroll Audit – Human Service Agency (HSA) Response

Dear Ms. Lediju:

Enclosed please find our response to the Citywide Payroll Audit Draft Report. We appreciate the opportunity to respond to the recommendations.

The implementation of your recommendations will improve and enhance our payroll practices.

Please contact me at (415) 557-5751 or by email at Luenna.Kim@sfgov.org if you have any questions.

Sincerely,

Director of Human Resources, HSA

cc: Trent Rhorer, Executive Director, HSA
Daniel Kaplan, Finance and Administration Deputy Director, HSA
Leo Sauceda, Human Resources Manager, HSA
Bertina Tan, Payroll Supervisor, HSA

P.O. Box 7988, San Francisco, CA 94120-7988 ▪ (415) 557-5000 ▪ www.sfhsa.org/

POLICE DEPARTMENT:

EDWIN M. LEE
MAYOR

POLICE DEPARTMENT
CITY AND COUNTY OF SAN FRANCISCO
THOMAS J. CAHILL HALL OF JUSTICE
850 BRYANT STREET
SAN FRANCISCO, CALIFORNIA 94103-4603

GREGORY P. SUHR
CHIEF OF POLICE

November 4, 2014

Ms. Tonia Lediju
Director of City Audits
City Hall, Room 476
1 Dr. Carlton B. Goodlett Place
San Francisco, Ca 94102

Dear Ms. Lediju:

Subject: Citywide Payroll Audit: Eleven Departments Incorrectly Paid Employees, Improperly Approved Time, or Lacked Compliance with Citywide Policies and Procedures.

Thank you for providing the San Francisco Police Department an opportunity to review and respond to the audit report, "*Citywide Payroll Audit: Eleven Departments Incorrectly Paid Employees, Improperly Approved Time, or Lacked Compliance with Citywide Policies and Procedures,"* as prepared by the Office of the Controller-City Services Auditor.

The Police Department recognizes the time and effort required of your staff to conduct a comprehensive citywide payroll audit. Through your efforts, the City Service Auditor has identified two areas in which the San Francisco Police Department's Payroll unit was lacking.

The Police Department has reviewed the two recommendations made by the City Services Auditor. We have corrected and implemented one recommendation.

The second will require the issuance of written policy and procedure and training of the payroll staff. The training of payroll staff shall be complete by December 31, 2014.

If you have any questions or need additional information, please do not hesitate to contact me at (415) 553-1551.

Sincerely,

GREGORY P. SUHR
Chief of Police

GS/jd
Attachment

PAYROLL AND PERSONNEL SERVICES DIVISION:

City and County of San Francisco

Office of the Controller
Payroll/Personnel Services Division
TEL. (415) 701-3400
FAX (415) 701-3401

DATE: December 23, 2014

TO: Tonia Lediju, Director of Audits

FROM: Debra L. Nebreda, Director of Payroll Personnel Services Division

SUBJECT: CityWide Payroll Audit of Eleven Departments; Nov, 2014.

Dear Ms. Lediju,

Thank you for providing us the opportunity to review the above referenced audit report. This letter provides response(s) to the recommendations numbered as #18, # 19 and # 20 and noted in the audit report reviewed.

#16) *The Office of the Controller's Payroll and Personnel Services should review the control deficiencies and consider corrective actions, such as creating additional system controls or required procedures for departments to follow.*

In the next 90 days Payroll Personnel Services Division (PPSD) will be providing all departments with a second desk manual. The first manual provided general oversight and information for payroll personnel and timekeepers Citywide last year. This second manual will include pre, post and production payroll checklists. These checklists are provided as templates that can be copied and used for each and every pay period during the calendar year. A half day training will occur in the next 90 days as well, mandating the use of these checklists which require running queries pre and post payroll processing to ensure the highest accuracy, review and validation. Additionally, a review will be conducted internally at PPSD, where systematic coding can be implemented to circumvent further erroneous pays.

#17) *The Office of the Controllers Payroll and Personnel Services should review the departments audit survey responses that indicate that they do not meet (or understand) the requirements of the City's Payroll Policies & Procedures Manual and follow-up directly with the departments for corrective action. City Services Auditor Division will provide the departments identified.*

As noted in the above referenced item, PPSD will conduct with specific departments a half day training that focuses on best practices, required tasks lists and proper documentation and retention. This training will be mandatory and all department personnel officers will be included as well, as they oversee and manage the timekeeping and payroll positions in most cases.

#18) *The Office of the Controller's Payroll Personnel Services should ensure departments run required queries, and create a requirement for departments to request from the Payroll and Personnel Services Division an exemption from running a required query if the department believes the query does not apply to its environment and the Payroll and Personnel Servies Division agrees.*

As PPSD embarks on providing a half day training in the next 90 days to other departments, the requirement and specificity to require review of queries will be addressed and included in the training.

One South Van Ness Avenue, 8th Floor **San Francisco, CA 94103**

DEPARTMENT OF PUBLIC HEALTH:

APPENDIX: DEPARTMENT RESPONSE

City and County of San Francisco
Edwin M. Lee, Mayor

Department of Public Health
Barbara A. Garcia, MPA
Director of Health

Date: December 10, 2014

To: Tonia Lediju, Director of City Audits

From: Barbara A. Garcia, Director of Health

Subject: Response to Findings from Audit titled "Citywide Payroll Audit: Eleven Departments Incorrectly Paid Employees, Improperly Approved Time or Lacked Compliance with Citywide Policies and Procedures

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Department of Public Health met with the San Francisco General Hospital Registered Nurse Labor Monitoring Committee on December 4, 2014.

Due to the holidays during the month of December, the anticipated completion date to implement our plan of correction will be February 3, 2015. The plan of correction includes the adoption of a Department wide policy consistent with the Registered Nurse contract language. The drafted policy is currently under internal review and formal discussions with the union will begin in January 2015.

If you have any questions or require further information, please do not hesitate to contact me at 415 554-2600 or Ron Weigelt, 415 554-2580.

Attachment: Audit Recommendation and Response Form

Cc: Roland Pickens, Greg Wagner, Sue Currin, Terry Dentoni, Lawanna Darryelle ERD, Ron Weiget, Michael Brown, Louise Brooks Houston

101 Grove Street, Room 308, San Francisco, CA 94102
Phone (415) 554-2600 Fax (415) 554-2710

RECREATION AND PARK DEPARTMENT:

Edwin M. Lee, Mayor
Philip A. Ginsburg, General Manager

October 31, 2014

Ms. Tonia Lediju
Director of Audits
Office of the Controller
City Services Auditor Division
City Hall
1 Carlton B. Goodlett Place, Room 316
San Francisco, CA 94102

Re: Recreation and Park Department's Response to the CSA Citywide Payroll Audit Report

Dear Ms. Lediju:

The Recreation and Park Department (RPD) has received the City Services Auditor's draft report of the citywide payroll audit for fiscal year 2013 – 2014. We appreciate your staff's time and effort on the audit and on this report.

Attached please find the Department's response to the audit's recommendation regarding RPD. If you have any questions regarding the department's response, please feel free to contact Katie Petrucione, the department's Director of Administration and Finance at 415.831.2703.

Sincerely,

Philip Ginsburg
General Manager

Attachment

cc: Katie Petrucione
Kin Gee
Joleen Kensinger

McLaren Lodge in Golden Gate Park | 501 Stanyan Street | San Francisco, CA 94117 | PHONE: (415) 831-2700 | WEB: sfrecpark.org

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY:

SFMTA
Municipal
Transportation
Agency

Edwin M. Lee, *Mayor*

Tom Nolan, *Chairman*
Gwyneth Borden, *Director*
Jerry Lee, *Director*
Cristina Rubke, *Director*
Cheryl Brinkman, *Vice-Chairman*
Malcolm Heinicke, *Director*
Joél Ramos, *Director*

Edward D. Reiskin, *Director of Transportation*

December 5, 2014

Tonia Lediju
Director of City Audits
City Hall, Room 476
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Subject: SFMTA Response to Citywide Payroll Audit

Dear Ms. Lediju:

The San Francisco Municipal Transportation Agency is in receipt of the draft audit report entitled, "Citywide Payroll Audit: Eleven Departments Incorrectly Paid Employees, Improperly Approved Time, or Lacked Compliance with Citywide Policies and Procedures." We appreciate the time and efforts of your staff throughout the audit process.

Please find enclosed our responses to the audit recommendations. If you have any questions or need additional information, please call Kathleen Sakelaris at 701-4339.

Sincerely,

Edward D. Reiskin
Director of Transportation

Enclosure

1 South Van Ness Avenue 7th Floor, San Francisco, CA 94103 415.701.4500 www.sfmta.com

OFFICE OF THE SHERIFF:

OFFICE OF THE SHERIFF
CITY AND COUNTY OF SAN FRANCISCO
1 DR. CARLTON B. GOODLETT PLACE
ROOM 456, CITY HALL
SAN FRANCISCO, CALIFORNIA 94102

Ross Mirkarimi
SHERIFF

November 21, 2014
Reference: 2014-237

Tonia Lediju
Director of City Audits
City Hall, Room 476
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

RE: Response to Citywide Payroll Audit

Dear Ms. Lediju,

Thank you for the opportunity to review the draft report entitled *Citywide Payroll Audit*. The San Francisco Sheriff's Department (SFSD) appreciates the work of the City Services Auditor (CSA) and its commitment to the financial integrity and efficiency of city government.

The SFSD employs three payroll staff who manually enters all exception time and overtime for approximately 1000 department employees into Emerge, the city's payroll system. The issues raised in your audit are directly related to the challenges of utilizing a manual system to enter thousands of payroll data points per pay period.

In 2013 the SFSD acted to transition away from this manual system and toward an automated scheduling system that is fully integrated with Emerge, by presenting to the Committee on Information Technology (COIT) and receiving funding for Telestaff, the public safety industry standard for scheduling software. Funding for this project began in July 2014, and implementation is expected to be complete in 2015. As discussed in our recommendations and responses, implementation of Telestaff will resolve the recommendations discussed in the Citywide Payroll Audit.

Thank you and your staff for the thoroughness of the audit work in this important area.

Sincerely,

ROSS MIRKARIMI
Sheriff

PHONE: 415-554-7225 FAX: 415-554-7050
WEBSITE: WWW.SFSHERIFF.COM EMAIL: SHERIFF@SFGOV.ORG

For each recommendation, the responsible agency should indicate whether it concurs, does not concur, or partially concurs. If it concurs with the recommendation, it should indicate the expected implementation date and implementation plan. If the responsible agency does not concur or partially concurs, it should provide an explanation and an alternate plan of action to address the identified issue.

RECOMMENDATIONS AND RESPONSES

Recommendation	Responsible Agency	Response
1. If they have not already done so, correct the pay errors identified by the audit by completing a Problem Description Form for each and submitting the form to the Office of the Controller's Payroll and Personnel Services Division.	Department of Building Inspection	Concur. The Department of Building Inspection submitted a PDF to the Controller's Payroll and Personnel Services Division on June 3, 2014.
	San Francisco Municipal Transportation Agency	Concurs and will complete the Problem Description Reports (PCRs) for the two identified items requiring adjustments to pay.
	Fire Department	Fire Department staff corrected errors in PeopleSoft and submitted Problem Forms as they were identified during the audit process; thus, this recommendation has been completed.
	Human Services Agency	Concur – HSA has completed the PDF to correct this error.
2. Comply with the City and County of San Francisco Payroll Policies and Procedures Manual by reviewing employee time information for accuracy and appropriateness in accordance with applicable memorandums of understanding.	Department of Building Inspection	Concur. The Department of Building Inspection will review applicable memorandums of understanding and City and County of San Francisco Payroll Policies Manual requirements to ensure affected employees are eligible for premium pay.
	San Francisco Municipal Transportation Agency	Concurs and will continue to comply with the City and County of San Francisco Payroll Policies and Procedures Manual by reviewing/auditing select employee time information for accuracy and appropriateness in accordance with applicable memorandums of understanding, within the current PeopleSoft limitations around "rules" complying with MOU provisions, which requires further development.
	Fire Department	This recommendation is already being performed. Fire Department staff will continue to review employee time information for accuracy and appropriateness during each pay cycle.

Recommendation	Responsible Agency	Response
	Human Services Agency	Concur – HSA will continue to remind payroll staff to be more attentive to details when reviewing employee time information for accuracy and appropriateness to ensure compliance with the City and County of San Francisco Payroll Policies and Procedures Manual.
3. Create a new training pay code for extra board transit operators	San Francisco Municipal Transportation Agency	San Francisco Municipal Transportation Agency concurs. A new training pay code for extra board transit operators will be created by December 31, 2014.
4. Review previous pay periods for at least one year to determine whether any additional extra board transit operators were affected by system-generated errors.	San Francisco Municipal Transportation Agency	San Francisco Municipal Transportation Agency concurs and this task will be completed by March 31, 2015.
5. Cease the incorrect practice of increasing the taxable income of employees exempt from the commuting vehicle benefit and work with the Payroll and Personnel Services Division to determine how to retroactively correct the incorrect entries.	Office of District Attorney	The Office of District Attorney concurs with this finding. Since discovering this issue the Department has ceased applying the unpaid commuter car benefit to members of the Department who take their vehicles home for authorized purposes who are law enforcement officers. The Department has worked with PPSD in the past few months to reimburse members who were assessed this benefit for 2014. The Department has also worked with PPSD to issue, W-2c, revised statements for the 2013 calendar year. Refund checks and revised W-2's have been picked up by affected employees.
6. Review all its other employees and determine whether or not they are subject to the commuting vehicle benefit being taxable income. If other employees are found to be exempt, their payroll status should be changed accordingly.	Office of District Attorney	The Office of District Attorney concurs with this finding. As stated above, all affected employees who are designated as sworn law enforcement officers of the Office of the District Attorney have been reimbursed for fiscal year 2014 and were issued revised W-2 statements for fiscal year 2013.

Recommendation	Responsible Agency	Response
7. Ensure that supervisors approve and date all payroll authorizations.	Police Department	Concur. The payroll authorization forms have been updated to include not only the name of the approving supervisor, but also the date approved. New updated payroll authorization forms are now being utilized department wide.
	San Francisco Municipal Transportation Agency	Concur. A memo will be issued to all supervisors reminding them of the requirement to approve and date all payroll authorizations by December 15, 2014.
	Office of the Sheriff	Current department practice is for supervisors to approve and date all payroll authorizations. The department accepts an emailed timesheet from the supervisor as authorization. In the short-term, the department will implement process for obtaining electronic signatures. In the long-term, SFSD is in the process of implementing a time keeping system that will require all time be approved by a unique supervisor identification log-in. This system will be implemented in 2015.
	Recreation and Park Department	Agree. The Department has revised its weekly timesheet to add a "date" field next to the supervisor signature field. On October 8, 2013 the General Manager issued a memo to all managers and supervisors reminding staff about the Department's polices requiring that supervisors approve and date all payroll authorizations.
	Office of the City Attorney	The City Attorney's Office concurs and will comply.
	Airport Commission	Concurs with this recommendation and has already implemented controls effective July 31, 2014.
8. Include on all timesheets the scheduled shift hours for employees covered by the memorandum of understanding with the Deputy Sheriffs' Association of San Francisco.	Office of the Sheriff	Current timesheets list the scheduled shift hours at the top of the timesheet. As Payroll staff enter exception time into the system, current department practice is to note exception time on the timesheet. Given the volume of time entered by the Payroll staff and that payroll is submitted bi-weekly, it is impractical to enter regularly scheduled hours on the time sheet. SFSD is in the process of implementing a time keeping system that will include the scheduled shift hours for all employees. This system will be implemented in 2015.

Recommendation	Responsible Agency	Response
9. Include on timesheets the hours of the day that the employee took leave if the employee is to receive shift pay.	Office of the Sheriff	Current department practice is to list on the timesheet the work code for hours worked in the order they were worked. Therefore, if a swing shift timesheet is submitted with 2SP, 6WK, the supervisor has indicated that the employee was sick from 3:00pm-5:00pm and worked from 5:00pm to 11pm. SFSD is in the process of implementing a time keeping system that will indicate the hours of the day for each work code. This system will be implemented in 2015.
10. Develop policies and procedures that provide additional guidance on the implementation of guaranteed run pay for non-extra board transit operators.	San Francisco Municipal Transportation Agency	San Francisco Municipal Transportation Agency concurs and will develop policies and procedures that provide guidance on the implementation of guaranteed run pay for all transit operators (including non-extra board operators under the following circumstances: sick pay retention, pending discipline hearing or training) by April 2015.
11. Develop policies and procedures that specify the requirements for how it verifies that transit operators worked their assigned runs. If it chooses to require daily registers, SFMTA should ensure that these documents are retained for seven years, as required by its record retention and destruction schedule.	San Francisco Municipal Transportation Agency	San Francisco Municipal Transportation Agency concurs and will develop policies and procedures by April 2015 that specify the requirements for verifying that transit operators worked their assigned runs. SFMTA will review the usefulness and relevance of the daily register and if it is determined that it will be a required document for SFMTA's purposes, it will be retained for seven years as required.

Recommendation	Responsible Agency	Response
12. Develop policies and procedures regarding physical fitness leave pay for payroll staff to use and ensure that the policies and procedures include how hours are earned and used for this pay.	Police Department	The Police Department concurs with this finding. The San Francisco Police Department has written policy and procedures in place in the form of a Memorandum of Understanding with the Police Officer's Association, SFPD Physical Fitness Program Informational Booklet, and Department General Order 10.11 detailing the provisions of the Physical Fitness and Wellness Evaluation Program. However, no specific and detailed policy and procedure was developed for the Payroll Unit. The San Francisco Police Department is currently reviewing the Physical Fitness and Wellness Evaluation Program policy and procedures. From this review, specific procedures will be established to ensure adequate controls for payroll operations are in effect. Payroll staff shall be provided with written policy and training to ensure physical fitness leave is posted properly for both time earned and time used. Policy distribution and training shall be completed by December 31, 2014.
13. Require that requests for educational leave with pay be submitted before the training or course date, consistent with the applicable memorandum of understanding.	Department of Public Health	The Department of Public Health, Network Administrator will develop a policy statement which will be enforced throughout the Department of Public Health for all health related classifications requiring educational leave for continuation of their license or certificate. The policy and instructions will include a standardized form outlining the requirements to request the educational leave at least 30 days in advance or explain why there was a need to deviate from that requirement.
14. Ensure that the educational leave with pay requested is for hours during which the employee plans to attend training or educational courses.	Department of Public Health	The policy will include a statement consistent with collective bargaining agreements that educational leave will be awarded only if time is required away from their normal scheduled shift either immediately before during or after the course in recognition of our 24 hour operation. No educational leave will be provided for work study courses, online course work, or attendance on their own personal time.

Recommendation	Responsible Agency	Response
15. Establish procedures to request proof of course completion from nurses after they have taken educational leave with pay. If an employee fails to provide adequate proof, rescind approval for the hours taken as educational leave with pay and record those hours as absent without leave.	Department of Public Health	The approver will be responsible for reviewing the appropriateness for the request and provide a timely response. In addition, the employee will be responsible to providing proof of completion to Payroll within 30 days of completion of the course. Failure to provide proof will result in an automatic reversal of the approval to be recorded as an absence without official leave. The educational leave hours will be only used to release an employee from duty to participate in an approved course work activity. The Department of Public Health Labor team will engage with the unions to make the necessary changes. Due to the upcoming holidays we anticipate an effective date around February 3, 2015.
16. Review the control deficiencies identified in this audit and consider corrective actions, such as creating additional system controls or required procedures for departments to follow.	Office of the Controller's Payroll and Personnel Services Division	Office of the Controller's Payroll and Personnel Services Division concurs with this finding. In the next 90 days Payroll Personnel Services Division (PPSD) will be providing all departments with a second desk manual. The first manual provided general oversight and information for payroll personnel and timekeepers Citywide last year. This second manual will include pre, post and production payroll checklists. These checklists are provided as templates that can be copied and used for each and every pay period during the calendar year. A half day training will occur in the next 90 days as well, mandating the use of these checklists which require running queries pre and post payroll processing to ensure the highest accuracy, review and validation. Additionally, a review will be conducted internally at PPSD, where systematic coding can be implemented to circumvent further erroneous pays.
	Office of the Controller's eMerge Division	There are a variety of control deficiencies listed in the in Exhibit 7 Reported Control Deficiencies in the City's Payroll Processes. From our perspective, most of these are process and policy issues that should be assigned to non-eMerge business groups (e.g. PPSD, DHR). eMerge will gladly take on responses for items that are primarily system-related and is requesting CSA Audits to identify those specific items for eMerge response.

Recommendation	Responsible Agency	Response
17. Review the departments' audit survey responses that indicate that they do not meet (or understand) the requirements of the City's Payroll Policies & Procedures Manual and follow-up directly with the departments for corrective action. The City Services Auditor Division will provide the departments identified.	Office of the Controller's Payroll and Personnel Services Division	The Office of the Controller's Payroll and Personnel Services Division concurs with this finding. As noted in the above referenced item, PPSD will conduct with specific departments a half day training that focuses on best practices, required tasks lists and proper documentation and retention. This training will be mandatory and all department personnel officers will be included as well, as they oversee and manage the timekeeping and payroll positions in most cases.
18. Ensure departments run required queries, and create a requirement for departments to request from the Payroll and Personnel Services Division an exemption from running a required query if the department believes the query does not apply to its environment and the Payroll and Personnel Services Division agrees.	Office of the Controller's Payroll and Personnel Services Division	Office of the Controller's Payroll and Personnel Services Division concurs. As PPSD embarks on providing a half day training in the next 90 days to other departments, the requirement and specificity to require review of queries will be addressed and included in the training.