

Audit #16-10:

Payroll Operations Follow Up Audit

Audit Report

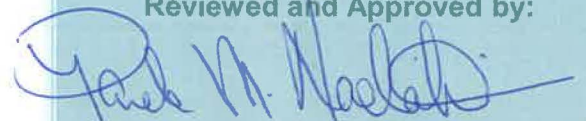
Office of the City Auditor and Clerk
Internal Audit

Prepared by:



D. Edward Daugherty, CPA
Manager Internal Audit

Reviewed and Approved by:



Pamela M. Nadalini, BBA, MBA, CMC
City Auditor and Clerk/Chief Audit
Executive

You can obtain copies of this report by contacting us at:
Office of the City Auditor and Clerk
1565 1st Street
Sarasota, FL 34236
(941) 954-4135

Or download and view an electronic copy by visiting:
www.sarasotagov.com



TABLE OF CONTENTS

SUMMARY	3
Original Audit Observations and Recommendations	4
Current Audit Observations and Recommendations	14

SUMMARY

BACKGROUND INFORMATION:

The 2013/14 Audit Schedule included Audit 14-08, Payroll Operations. The audit objectives were:

1. Determine whether adequate controls exist and are functioning as intended, including but not limited to: Access to records is limited and controlled, payments are made to valid employees only, all data input is properly authorized, data is accurate and complete, payments are correctly calculated, payroll costs are correctly recorded, and all required reports are prepared and filed in a timely manner.
2. Determine whether there is reasonable assurance that payroll general ledgers are reconciled accurately, timely, and approved by the appropriate authority.
3. Determine whether Payroll Operations complies with current City of Sarasota Policies and Procedures, Union Contracts, Administrative Regulations, Municipal Codes, State and Federal Regulations and Statutes.

OBJECTIVE:

The objective of the follow-up audit was to review and evaluate the conditions reported in the Payroll Operations audit (Audit 14-08), dated January 14, 2015, to determine if corrective actions have occurred and are effective, corrective actions appear to be continuous; corrections will be monitored to ensure the control weakness will not be repeated.

AUDIT STANDARDS:

The follow-up audit was conducted based on the *International Standards for the Professional Practice of Internal Auditing* issued by The Institute for Internal Auditors.

SCOPE:

The follow-up audit procedures were applied to the records, documents and controls in effect during the period of April 1, 2016 through September 30, 2016.

OVERALL EVALUATION:

We found that Management had fully implemented corrective action on seven (7) of the original audit findings and as a result we have closed those issues. Two (2) of the original audit findings have been partially addressed or not addressed. Those items remain Open. Additionally, there are three (3) new audit findings, listed on pages 14-17.

AUDIT BY:

D. Edward Daugherty, CPA, Manager, Internal Audit

ORIGINAL AUDIT OBSERVATIONS AND RECOMMENDATIONS

Issue #	Subject	Priority	Observation	Recommendation Internal Audit Comment (red text)	Concur	Do not concur	Management Response (black text) City Auditor and Clerk (green text) SPD Response (blue text)	Committed Action Item Due Date
1	PAP Form Signatures	High	We noted PAP forms were not always signed by the 3 required individuals, Department Director, the Director of Human Resources and the City Manager.	<p>We recommend that PAP forms be completed in accordance with City's Personnel Rules and Regulations. In the event that any party decides to delegate his or her authority, that it be documented on the appropriate form and filed with the custodian (the Purchasing Manager) designated by City policy.</p> <p style="color: red;">2014 Auditor's Comments – City Rules 11.9.D, 11.13.A, 11.13.B and 11.14.C specify the requirement for the signature of the City Manager or City Auditor and Clerk for their respective employees. See also the PAP form attached to Rule 11 for the required signatures.</p> <p style="color: red;">SPD PAP forms still require the signature of the City Manager.</p>	City Manager	CAC SPD	<p>City Manager - Management recommends the Director of Human Resources utilize the "Authorization Signature of Internal Documents by Department's form to document approval to sign PAPs on behalf of the City Manager. The Director of Human Resources will request authorization to sign as a designee for the City Manager and City Auditor and Clerk and if authorization is not granted then the Charter Officials will be asked to sign the PAPs.</p> <p style="color: green;">The City Auditor and Clerk does not delegate her signature authority and will personally sign the PAP forms for employees in the office of the City Auditor and Clerk.</p> <p style="color: blue;">SPD - All PAP's are signed by our Chief or Deputy Chief of Police.</p>	City Manager 3/31/15

Auditor's Follow Up Comment - Auditor tested 10 PAP forms signed by the directors and the Human Resources Director as the City Manager's designee. The City Manager has followed appropriate procedures to delegate the authority to sign Personnel Action Papers (PAP) related to personnel issues to the Human Resources (HR) Director. In turn, the HR Director has delegated her authority to sign as the HR Director to the Human Resources General Manager. PAP forms signed by the HR Director and HR General Manager included forms affecting employees of the HR department.

Recommendation – See Audit Comment 1 on page 14.

Current Status – This Item is closed.

Issue #	Subject	Priority	Observation	Recommendation Internal Audit Comment (red text)	Concur	Do not concur	Management Response (black text) City Auditor and Clerk (green text) SPD Response (blue text)	Committed Action Item Due Date
2	Lack of Signed Supervisory Approvals for Leave	High	<p>Some departments were not documenting supervisory approval of time off, in particular sick leave in excess of 72 hours.</p> <p>Rule 11.2.E states in part "Department Heads are required to provide documentation in the event an employee is authorized absence with or without pay by using the Request for Leave form."</p>	<p>Departments implement procedures to maintain signed copies of supervisory approvals as required for all categories of time off.</p> <p>2014 Auditor's Comments - As noted in the Observation, we observed a lack of documentation of supervisory approval of time off, specifically related to sick leave exceeding 72 hours. These leave approvals require the signatures of the Department Director, the Human Resources Director and the appropriate Charter Official. As noted in the Observation section, Rule 11.2.E states the Request for Leave form is to be used to document authorized absences. Rule 11.15.A specifies the use of the Request for Leave form for all approved absences. Rule 11.15.B requires the use of the PAP forms for leave lasting more than two (2) weeks.</p>		City Manager SPD	<p>City Manager - The Human Resources Department monitors the leave requests that are required by the City's Rules and Regulations and notifies departments on outstanding leave approval slips. Only specific approvals are required to be received by Human Resources and retained in employees' files. A report is run that indicates that leaves requiring an attendance slip to be completed. This report is tracked by Human Resources as the leave slips are received. Supervisor and department head approval of time within the time and attendance system is not considered implied approval but rather explicit approval of all time worked for their unit or department. Time off requests can be, and are for most departments, an automated process within the Time and Attendance software. The approval process for this time off is electronic and signed copies would not be needed.</p> <p>SPD - Any leave in excess of 72 hours, the employees must use personal time. If and when that is exhausted, a memo to the Chief of Police must be submitted requesting an extension. That memo is kept on file with Payroll and Personnel.</p>	

Auditor's Follow Up Comment - Approved documentation was available for 15 sick leave forms tested. The Auditor noted one exception during testing which was cleared prior to the end of fieldwork.

Current Status – This Item is closed.

Issue #	Subject	Priority	Observation	Recommendation Internal Audit Comment (red text)	Concur	Do not concur	Management Response (black text) City Auditor and Clerk (green text) SPD Response (blue text)	Committed Action Item Due Date
3	Negative Leave Balances	Medium	Some employees have negative leave balances. This most often occurs in cases where an employee is awarded additional Sick Leave beyond the 72 hours of annual Sick Leave specified in the Personnel Policies and Regulations. Human Resources is able to generate a report showing all negative balances on a bi-weekly basis and notify departments to make adjustments.	Human Resources should review all negative leave balances and a consistent policy established as to how negative balances will be handled. 2014 Auditor's Comments – Despite Human Resources and department adjustments, negative leave balances are still noted in ABRA employee leave balances. Negative balances are a potential loss of funds to the City.		City Manager SPD	City Manager - Human Resources reviews negative balances within ABRA's attendance module on a bi-weekly basis. Departments are notified verbally or via email to address the issues. Generally a request will be made to rectify the negative balance by using another leave balance that is available and not in the negative, i.e. bonus time instead of vacation time. Negative balances can then be eliminated from the employee's attendance file. SPD - A report is run after payroll is complete on any negative employee balances. All sick leave over 9 days approved by the Chief of Police will stay in Abra and show a negative balance until it turns over on the employees anniversary date; at which time it will zero out.	

Auditor's Follow Up Comment - Auditor tested 19 records of employees with negative balances and noted that most negative balances were for extended sick leave or military leave. The remaining negative balances were Bonus and Vacation time. The Human Resources Department monitors for negative leave balances in other categories and time is transferred from leave categories with available time. Currently if a leave of absence for sick leave is awarded, there is no accrual of additional time in the attendance software. Additionally, the Personnel Rule (11.9.D) does not address any limitations of additional leave time. Negative Leave balances noted in other categories (Bonus, Vacation, Annual Physical) were identified and covered by transfers from other leave categories with available time or by the accrual of additional time, providing evidence that the monitoring process is working.

Recommendation – See Audit Comment 2 on page 15.

Current Status – This Item is closed.

Issue #	Subject	Priority	Observation	Recommendation Internal Audit Comment (red text)	Concur	Do not concur	Management Response (black text) City Auditor and Clerk (green text) SPD Response (blue text)	Committed Action Item Due Date
4	Employee Overtime	Medium	<p>Three departments have employees with high overtime hours.</p> <p>The City paid \$1,781,551.94 in overtime costs in FY 2014.</p> <p>We recognize overtime is often a result of emergency operations or minimum staffing requirements.</p>	<p>Each Department should review their overtime use and evaluate alternative options where possible.</p>	City Manager	SPD	<p>City Manager - During the budget process each year all Departments review their staffing requirements and analyze their overtime requirements to determine how to best minimize the need for overtime. The analysis includes cost comparisons to determine if additional full time equivalents are necessary or whether paying the current staff overtime is the most cost effective.</p> <p>However, contract with bargaining units have minimum manning stipulations that require the payment of overtime under certain conditions.</p> <p>SPD - Payroll runs a report after payroll is complete and distributes to the Chief of Police, Deputy Chief, Captains and Support Services Manager. All discretionary overtime must be approved by supervisors if employee hours cannot be adjusted. Patrol Division currently has overtime issues due to PBA contract.</p>	City Manager Annually

Auditor's Follow Up Comment - City Manager and Financial Administration Department have implemented review procedures as part of the budget process to review overtime use. Employee Overtime fluctuates based upon conditions. Overtime expense for the last three (3) fiscal years:

- FY 2013/14 - \$1.78 million
- FY 2014/15 - \$1.42 million
- FY 2015/16 - \$1.61 million

Current Status – This Item is closed.

Issue #	Subject	Priority	Observation	Recommendation Internal Audit Comment (red text)	Concur	Do not concur	Management Response (black text) City Auditor and Clerk (green text) SPD Response (blue text)	Committed Action Item Due Date
5	High Accrued Leave Balances	Medium	City Personnel Rules and Regulations place limits on the accrual of Vacation and Run/Walk/Swim leave but include a clause allowing the City Manager or City Auditor and Clerk to authorize the accrual. The policies do not identify any methodology for documenting the authorization.	<p>We recommend a process be developed to allow Charter Officials (and Department Heads) to review leave balances on a quarterly basis and document their approval of the current leave balances.</p> <p>2014 Auditor's Comments - This recommendation is not limited to the accumulation of vacation hours. Auditors noted significant accumulations of hours in other categories such as Run/Walk/Swim, Holiday and Bonus Days.</p>	City Manager	CAC	<p>City Manager - The Human Resources department can provide vacation balances to Charter Officials and Department Heads on a quarterly basis for review. Extension for vacation and expiration of attendance time must be uniformly applied across all departments and Charter Officials. Management recommends that all employees are subject to the same standards and requirements per the current rules regardless of department or division.</p> <p>Management recommends allowing a grace period for the employees out of compliance to use this time or it will expire within a set time period.</p> <p>City Auditor and Clerk - We concur that a process should be developed to allow Charter Officials the opportunity to review leave balances on a quarterly basis and acknowledge current leave balances of employees. It is suggested that Human Resources provide a report indicating current leave balances and expiration dates. The Office of the City Auditor and Clerk is in compliance with the current regulations regarding accumulated time including Compensatory Time. The Exempt Staff supporting the City Commission for Commission meetings in the Office of the City Auditor and Clerk is very small and backup for the Staff working at Commission meetings is not possible. For that reason, certain Staff accumulate a large number of hours in the form of Compensatory Time.</p>	<p>City Manager 3/31/15</p> <p>CAC Ongoing</p>

Issue #	Subject	Priority	Observation	Recommendation Internal Audit Comment (red text)	Concur	Do not concur	Management Response (black text) City Auditor and Clerk (green text) SPD Response (blue text)	Committed Action Item Due Date
5	High Accrued Leave Balances						<p>In the past, management approved for exempt Staff to carryover the time if taking the time off was not possible which is the reason large back balances have been accumulated. Several avenues may be possible to reduce the large accumulated balances. Every effort should be made to reduce large accumulated approved balances but it is just not possible to reduce all back balances without a major negative impact on some employees. Some suggestions include: offer employees the opportunity to “buy back” a week of time, for example (this has been done previously); allow “flex time” so more hours are not accumulated by the same small Staff; pay down the larger back balances over a certain amount over an extended period; have employees take earned time by a certain dates or pay down smaller back balances. Management will make every effort to assure staff is encouraged to take necessary earned leave as requested and when possible.</p>	

Auditor's Follow Up Comment - Human Resources provides quarterly reports as recommended. During the conduct of the current follow-up audit, we noted that several new procedures were implemented to reduce accruals for vacation and bonus time. Despite these efforts there were still employees with high leave balances.

Recommendation – See Audit Comment 3 on page 16.

Current Status – This Item is closed.

Issue #	Subject	Priority	Observation	Recommendation Internal Audit Comment (red text)	Concur	Do not concur	Management Response (black text) City Auditor and Clerk (green text) SPD Response (blue text)	Committed Action Item Due Date
6	Department Leave Balances	Medium	Individual employee department leave balances did not always match the Abra leave balances.	<p>We recommend each department compare their documented leave balances against the Abra system balances and resolve any discrepancies.</p> <p>2014 Auditor Comments - We noted in our testing that an employee's accrued Bonus time was adjusted based upon Department documentation.</p> <p>In reviewing the transaction we noted that Bonus, Run/Walk/Swim and Personal time had previously been accrued to Holiday time. We noted similar accruals for other employees in the same department. The adjustment did not impact any other accrued time, particularly the Bonus hours accrued in Holiday time.</p> <p>There was not always documentation to explain changes made to individual employee leave balances. We noted multiple instances in our testing and reviews where balances were adjusted in various categories of leave with no explanation or in some cases, a limited explanation. These transactions raise questions regarding the adequacy of controls in place over adjustments to accruals.</p>	SPD	City Manager	<p>City Manager - The HRIS system (ABRA) has an attendance module that is used throughout the City for accrual and tracking of attendance time for all employees. Each department does not establish their own procedures for tracking attendance time; ABRA has an attendance module that is used for citywide attendance plan monitoring. The Police Department's sworn officers are the only unit that does not accrue vacation time within the HRIS system. An element of their vacation process is governed by the collective bargaining agreement and is in discussion currently. Again this is an efficiency process that we are currently discussing during the negotiation process.</p> <p>SPD - will work out a process with HR to correct discrepancies. Suggested solution is run a quarterly report to be sent to HR to balance against Abra. Any discrepancies can be researched by SPD Payroll prior to the balance being corrected.</p>	SPD 6/1/2015

Auditor's Follow Up Comment - This issue focused on police department personnel who may work 8, 10 or 12 hour shifts and accrue leave based on those schedules. The City's software needs to be manually adjusted for non-standard (10-12 hour) schedules. SPD has initiated a quarterly reconciliation process with Human Resources.

Current Status – This Item is closed.

Issue #	Subject	Priority	Observation	Recommendation Internal Audit Comment (red text)	Concur	Do not concur	Management Response (black text) City Auditor and Clerk (green text) SPD Response (blue text)	Committed Action Item Due Date
7	Time & Attendance Tracking	Medium	The City acquired time and attendance software (Attendance Enterprise) to allow non-exempt employees to enter their time in and out by swiping a card and to track leave requests for all employees. The level of implementation varies across the City. Some departments are using manual time & attendance tracking before entering the data into Attendance Enterprise.	We recommend staff from the Payroll Division offer to consult with the departments using a manual process to increase the use of the City's time and attendance software and reduce the current duplication of efforts. 2014 Auditor's Comments - We noted that all departments are using the time and attendance software. We also noted that some departments are still using manual processes to accumulate time worked before posting the time to the time and attendance software resulting in reduced efficiency and additional steps with the potential for errors.			City Manager - The Payroll Division is always willing to provide assistance to departments to become more efficient utilizing existing resources. As modifications are made to collective bargaining agreements, it is expected that automation of additional functions will become more practical.	City Manager 2016

Auditor's Follow Up Comment - Management's response to the original audit comment was that Payroll staff was available to work with department staff as needed. Per discussions with City staff, the City is seeking alternative methods of automating attendance such as the use of a cell phone application.

This audit comment remains open because Payroll staff will need to consult with Departments to implement any alternative methods of recording attendance.

Recommendation – The original audit recommendation remains in effect.

Issue #	Subject	Priority	Observation	Recommendation Internal Audit Comment (red text)	Concur	Do not concur	Management Response (black text) City Auditor and Clerk (green text) SPD Response (blue text)	Committed Action Item Due Date
8	Overtime	Medium	Regulation 8.6 (A) requires that "... prior approval be obtained from the City Manager or City Auditor and Clerk for their respective employees and that such approval be submitted to the Director of Human Resources with the payroll. Overtime for Police Officers is authorized based on the operational needs of the Department." Regulation 8.8 addresses overtime for emergency work and requires "...the Department Head shall request, in writing, approval from the City Manager or City Auditor and Clerk..." We noted that in practice, approval for overtime has been delegated as low as the manager level in some departments, based on the operational needs of the department. Documentation of this approval process is inconsistent. We were not provided with any documentation of written approval for emergency overtime, in accordance with Regulation 8.8.	We recommend Regulations 8.6 (A) and 8.8 be reviewed for possible modification to reflect actual processes currently in place or that the Regulations currently in place be enforced as written.		City Manager SPD	<p>City Manager - Management would recommend a review and update of the Overtime approval and authorization rule to reflect the current practice that is necessary for the departments to manage effectively.</p> <p>City Auditor and Clerk – We are in compliance with the current regulations.</p> <p>SPD - We do not have scheduled overtime, so Rule 8.6 A would not apply. However, we do have emergency overtime issues with non-exempt employees. They have their overtime authorized in writing by their immediate supervisor and the Division Captain's signature as well. Written reason for emergency overtime will now be included on the OT slip. Written communication to HR was sent via email suggestion Rules & Regulation 8.6A and 8.8 be amended to reflect actual practice.</p>	<p>City Manager 2016</p> <p>SPD 6/1/2015</p>

Auditor's Follow Up Comment - Personnel Rules have not been revised to address recommendation. In discussion with the Human Resources Director, she agreed that the Rules for a number of areas needed to be revisited. Because many of the areas in question involve employees belonging to a union, such changes are required to be negotiated. Estimated completion date 2-3 years.

Recommendation - The original audit recommendation remains in effect.

Issue #	Subject	Priority	Observation	Recommendation Internal Audit Comment (red text)	Concur	Do not concur	Management Response (black text) City Auditor and Clerk (green text) SPD Response (blue text)	Committed Action Item Due Date
9	New Hire Employee Documentation Verification	Medium	One new hire employee's documentation included a Social Security card indicating "Valid For Work Only With DHS Authorization." No additional follow up was undertaken.	<p>Human Resources should review existing procedures to ensure all newly hired employees are screened for proper documentation.</p> <p>2014 Auditor Comments – A job offer is made contingent upon the production of adequate personal documentation by the applicant. Hiring an employee like the example without proper I-9 documentation could result in fines from \$375 to \$14,050 for knowingly hiring and a fine of \$110 to \$1,100 for technical violations as per ICE Form I-9 Inspection-Overview http://www.ice.gov/factsheets/i9-inspection.</p> <p>Management indicated they did not concur with the recommendation, but Human Resources implemented a new procedure for future exceptions. Internal Audit will follow up on this finding to determine if the new process is adequate or if further action is required.</p>		City Manager	City Manager - The 19 forms and process is governed by Department of Homeland Security and it is against the law to request identification documents prior to an offer of employment. Human Resource staff discussed the issue with the City Attorney and any future incidents that are unclear will be reviewed immediately by the City Attorney. No further action needed.	
<p>Auditor's Follow Up Comment - Audit tested documentation associated with 15 new hires and found no issues. Human Resources added a procedure to review any future issues with the City Attorney.</p> <p>Current Status – This Item is closed.</p>								

CURRENT AUDIT OBSERVATIONS AND RECOMMENDATIONS

Issue #	Subject	Priority	Observation	Recommendation Internal Audit Comment (red text)	Concur	Do not concur	Management Response (black text) City Auditor and Clerk (green text) SPD Response (blue text)	Committ ed Action Item Due Date
1	Segregation of Duties	Medium	<p>Personnel Action Papers (PAP) are used for documentation and approval of personnel actions. PAP forms require three (3) signatures (Department Director, Human Resourced Director, and City Manager) for approval purposes. The City Manager designated the Human Resources Director to sign in his place, while the Human Resources Director designated the Human Resources General Manager to sign in her place. During the audit, we noted that Human Resources Personnel approved PAP forms for Human Resources personnel, demonstrating a lack of segregation of duties.</p> <p>A proper segregation of duties will allow the delegation(s) of authority to operate as designed, while providing adequate protection.</p>	To provide adequate oversight of personnel actions, Internal Audit recommends that in cases involving Human Relations staff, the City Manager should sign the PAP form. If the City Manager is unavailable, the Deputy City Manager or Assistant City Manager should sign in the City Manager's stead.	City Manager		Management agrees that action is required. This is agreeable and has already been implemented.	May 2017

2	Identification of Awarded Sick Leave	Medium	<p>City of Sarasota Personnel Rule 11.9(D) provides guidance for allowing sick leave in excess of 72 working hours in any employment year. Additional leave must be granted by the Department Head and approved by the Human Resources director and the appropriate Charter Official. The Rule does not place any limits on the amount of additional Sick Leave awarded. In cases where additional sick leave is awarded, no additional leave is posted to the employee's payroll records, resulting in a negative balance in the payroll records.</p>	<p>To provide City employees and supervisors with a more clearly defined process for granting additional sick leave, Internal Audit recommends rewriting Personnel Rule 11.9(D) to require the PAP form granting additional sick leave to include a specific number of hours granted. We also recommend that the hours granted be added to the employee's payroll records and that rules be applied consistently across the City to minimize the possibility of an employee filing an unfair labor practice.</p> <p><i>Auditor's Comment – As noted above, the recommendation was to require the PAP form to specify the number of hours granted for additional sick leave. The second recommendation was to post those additional hours to the employee's payroll records. It was not the Auditor's intent to recommend that department heads/Charter Officials should be restricted from granting additional sick leave, as currently permitted by Rule 11.9.D. Rule 11.9.D also states that "Leaves of absence in excess of seventy-two (72) working hours in any employment year...". Current policy is that sick leave is offered for nine (9) days multiplied by the employee's scheduled hours (8, 10 or 11.5 hours per day). Total Sick Leave hours awarded are 72, 90 or 103.5 hours. For Calendar Year 2016 the Auditor noted 25 employees with Sick Time in excess of the nine days ranging from 2.2 hours to 536 hours.</i></p>	City Manager	<p>Management disagrees that action is required.</p> <p>Rule 11 outlines leaves for City employees. Section 11. 9. D. Sick Leave-Allowable Sick Leave absences, provides guidance for department heads if an employee has a validated medical reason to be out of work longer than the 72 hours of Sick leave provided annually. This additional paid sick leave is in addition to the 72 hours allotted and is allowable with approval of department head, HR Director and the Charter Official. The current language allows discretion in granting addition paid leave with the Charter Official with guidance from the HR department. There is monitoring of the amount of time provided to employees so consistency can be maintained and this is provided to the department head and the charter official prior to a decision being made. I don't support the revision of this section of the rule. Additionally, banks of shared time, Short term and long term disability in addition to discussion of PTO could change this structure in the future. More progressive coverage is recommended over revising a rule that allows some discretion in application. An unfair labor practice pertains to the language in a Collective Bargaining agreement and not the language in the City's Rules. This rule provides the City some insulation from liability in that there exist (sic) discretion in application. Employees would have to be similarly situation to bring a claim of disparate treatment or discrimination. There is no violation of the language of the rule when there is a discretion prevision (sic).</p>	No Date
---	--------------------------------------	--------	--	---	--------------	---	---------

3	High Accrued Leave Balances	Medium	<p>City of Sarasota Personnel Rule 11 (Leave) addresses the various types of leave authorized for City employees. Similar to Audit Comment 2, above, business processes exist that conflict with City goals to reduce the liability for accrued leave.</p>	<p>We recommend that the Personnel Rules and Regulations concerning personnel leave, including Run/Walk/Swim, be reviewed and revised clearly defining accrual limits and expiration dates, extensions of time to use accrued leave and approval processes/documentation.</p> <p>Auditor's Comment – (Note – Management has indicated that they do not concur with the recommendation, but has proposed changes that address the recommendation.) In discussions with the Human Resources Director it was pointed out that portions of the rule are not aligned with current practice. Example – Rule 11.3 states in part that “Annual Leave is accumulated weekly and earned at the end of the employee’s anniversary year for General employees.” Current practice is that Annual Leave is accrued biweekly and is available for use immediately. Similarly, Rule 11.6 states in part: “when an employee cannot be spared from his or her duties during a normal vacation period, his Annual Leave may be carried over into the next employment year, providing such leave is taken within ninety (90) days...”. A simpler rule could be: “Accrued Annual Leave shall be used within 24 months of the date of accrual.”, similar to the Run/Walk/Swim accruals or to set a limit on leave hours accrued. Example – “Employees may accrue vacation hours up to a limit of XXX hours.” As noted above, Rule 11.9(D) states that “Leaves of absence in excess of seventy-two (72) working hours...”. Current practice is that sick leave is awarded based on a number of days (9) times the scheduled work day (8, 10 or 11.5 hours). Currently, Charter Officials have the authority to override any limits imposed on the accrual of vacation or Run/Walk/Swim hours. Any decision to limit that authority would come from the Charter Officials.</p> <p>Regarding Run/Walk/Swim accruals, the Auditor recognizes that there is a past practice currently in effect related to SPD employees covered under the terms of the current contract and that this issue will require negotiation with the union.</p> <p>The Auditor agrees with Management’s decision to allocate the Holiday pay category into its component</p>	City Manager	<p>The current leave rules outline accrual limits and expiration dates. This audit response appears to be in association with the Police department’s allowance of Run/Walk/Swim not abiding by the limits set in Rule 18. This has been a past practice allowed within the Police Department. There is nothing in the existing rules or CBA that would allow this. The origin of this practice is being researched but no rule or policy has been identified. Past practice always has a possibility of being challenged from the union groups but this is a practice that does need some focus. Another item in this audit response had to do with the “Holiday” category of leave which is termed H-Time by the Police department. This category of leave has banked Holidays and comp time earned in lieu of overtime being paid. It is difficult to identify which type of leave is in this attendance plan due to this, we are revising the collection of both types of leave in our database system. It has been recommended to track comp time earned (overtime earned and not paid but banked) into one attendance plan and an additional attendance plan for Holidays only. This will assist in tracking of the specific amounts of time accrued or earned in each. These changes would be a response to this audit item but I am not in support of revising existing rules that have established accrual limits and expirations</p>	December 2017
---	-----------------------------	--------	--	---	--------------	--	---------------

Issue #	Subject	Priority	Observation	Recommendation Internal Audit Comment (red text)	Concur	Do not concur	Management Response (black text) City Auditor and Clerk (green text) SPD Response (blue text)	Committ ed Action Item Due Date
				<p>pieces (Holidays and Comp Time). Under the current Personnel Rules, Holiday time has no accrual limit, while Comp Time is limited to 480 hours under the Fair Labor Standards Act (Section 7(k), FLSA) for Law Enforcement and Fire Protection employees.</p>				