



# City of Chattanooga

INTERNAL AUDIT

City Hall

Chattanooga, Tennessee 37402

Stan Sewell  
Director

Ron Littlefield  
Mayor

**March 26, 2010**

**Mayor and City Council  
City of Chattanooga  
Chattanooga, TN 37402**

**RE: Payroll Clerks, Audit 09-15**

**Dear Mayor Littlefield and City Council Members:**

**Attached is the Internal Audit report on Payroll Clerks.**

**We thank the Finance Department and various Payroll Clerks for their cooperation and assistance during this audit.**

**Very truly yours,**

**Stanley L. Sewell, CPA, CGFM  
Director of Internal Audit**

**cc: Dan Johnson, Chief of Staff  
Daisy Madison, Finance Officer  
Vickie Haley, Deputy Finance Officer  
Gail Duffey, Payroll Manager  
Audit Committee**

**FINANCE  
DEPARTMENT  
PAYROLL CLERKS  
AUDIT 09-15  
February 9, 2010**

**FINANCE  
DEPARTMENT  
PAYROLL CLERKS  
AUDIT 09-15**



---

**Auditor**



---

**Director**

**FINANCE  
DEPARTMENT  
PAYROLL CLERKS  
AUDIT 09-15**

**INTRODUCTION**

The Payroll Division of the Finance Department is responsible for processing the City's Payroll Disbursements. The Payroll Division relies on Payroll Clerks (from each of the City's departments) to help them compile employee time information in order to process each payroll run.

**STATEMENT OF OBJECTIVES**

The objectives of this audit are to determine if:

1. Written policies/procedures are in place to provide sufficient guidance for payroll clerks.
2. Payroll clerks have received proper payroll training.
3. Payroll documentation is adequately retained.
4. Payroll calculations are made in compliance with the City Code.

**STATEMENT OF SCOPE**

The audit period covered the Fiscal Year ending 2009 (July 01, 2008 through June 30, 2009).

**STATEMENT OF METHODOLOGY**

We met with management and staff from the Finance Department, Parks & Recreation Department, Police Department, General Services Department, and Public Works Department to obtain an understanding about the Payroll Clerk duties. We also reviewed the City Code to obtain an understanding regarding payroll policies and procedures. We also reviewed payroll data in Oracle as well as hard copy payroll documentation that is retained by City departments.

## **STATEMENT OF AUDITING STANDARDS**

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and - conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **AUDIT CONCLUSIONS**

Based upon the testwork performed and the audit findings noted below, we conclude that:

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

## **WRITTEN POLICES/PROCEDURES**

There are no written policies and procedures in place at the Payroll Division to provide comprehensive guidance to Payroll Clerks about how to carry out essential payroll clerk duties.

## **RECOMMENDATION 1**

We recommend that the Finance Department develop adequate written policies/procedures to provide guidance for Payroll Clerks. Employees should have ready access to these polices/procedures (hard copy, computer based or web based). The Payroll Division should document receipt of such policies by Payroll Clerks. In general, these procedures should ensure proper internal controls, which include but are not limited to: segregation of duties, proper authorization and approval, proper review and reconciliation; proper physical security of documents; and proper training. Specifically, the procedures should address use of the computerized processing system, proper classification of overtime, records retention, supervision, and appropriate required authorizations.

## **AUDITEE RESPONSE**

A written payroll computer process procedural manual was given to every pay clerk when we went live with Oracle in June 2008. Supplemental and updated instructions have been sent to all clerks as things have changed rather frequently. This procedures manual does not include policies. We will revise our written manual to include payroll policies. The revised manual will be distributed to pay clerks and made available on the Intranet. Going forward we will maintain documentation and receipt of policies/procedures manual and training for the new pay clerks.

## **PAYROLL CLERK TRAINING**

Based on discussions with multiple City payroll clerks, we found that there is no formal training class that is provided to new payroll clerks. We learned that most of the payroll training that the payroll clerks have received has been on the job training via inquiry of the payroll division or an introduction by their predecessor.

## **RECOMMENDATION 2**

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

## **AUDITEE RESPONSE**

All new payroll clerks are brought in to the Payroll Office for training. Each is given written procedures for using the computerized system and a schedule of deadlines. In the class they are instructed on what their responsibilities are and how to process in the computerized system. Basic policies such as how to handle leave and overtime payments are included in the training. Repeat training sessions are provided upon request as needed. Some clerks who responded that training has not been provided are long-term clerks who are very familiar with policies. All clerks had extensive procedural training when we went live with Oracle in June 2008 and we are still providing ongoing assistance. Going forward we will update our procedures to include policies and will conduct formal training of all pay clerks, along with periodic refresher training as needed.

## **SUPPORTING DOCUMENTATION**

Section K-30 (Payroll Records-Basis On Which Wages Are Paid) of the MTAS guide “Records Management For Municipal Governments” requires hard copy payroll supporting documentation to be retained for 2 years. We found that hard copy payroll supporting documentation (personal leave slips, time sheets, etc.) was either completely missing or partially missing for twenty-one (21) of the fifty-five (55) employees (38.18%) that were selected for testing from Fiscal Year 2009.

### **RECOMMENDATION 3**

We recommend that all payroll clerks retain all pertinent hard copy payroll documentation that is required by Section K-30 of the MTAS guide “Records Management for Municipal Governments.” The Finance Department should ensure that a comprehensive policies/procedure manual is in place for the payroll clerks that includes guidance about the City’s record retention policies.

### **AUDITEE RESPONSE**

The manual will be updated to include the record retention policies from the MTAS guide as well as recordkeeping requirements needed to satisfy Department of Labor inquiries. This will include guidance on specific records to be maintained by the department payroll clerks.

## **LEAVE TIME NOT ACCURATELY POSTED**

We found one personal leave slip document that contains personal leave time that does not appear to have been entered into Oracle and deducted from the employee’s personal leave balances. Although this represents a single incident, our testing was not designed to verify such occurrences. Therefore, this may or may not be a prevalent problem. However, it does identify the need for procedures that include a review process.

### **RECOMMENDATION 4**

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

### **AUDITEE RESPONSE**

Updated policies and procedures manual will guide all pay clerks on what to review on a weekly basis and what their responsibilities are with regard to documentation of time worked, leave time, overtime, etc.