



BIENNIAL PERFORMANCE AUDIT OF THE DEPARTMENT OF FINANCE

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OUTLINE

1. Audit Objective and Scope
2. Audit Methodologies
3. Background Information
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AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY

- To evaluate effectiveness and accuracy of the retroactive (retro) payment process for employee earnings in Workday, including the calculation and disbursement of withholdings that are based on employee earnings.
- Scope – Fiscal Years 2022 and 2021
- Department of Finance - Bureau of Accounting and Payroll Services and Department of Human Resources



AUDIT METHODOLOGIES

- Interviewed key individuals from DOF including consultants and performed walkthroughs to obtain an understanding of the retro payment process
- Observed consultants process Cost of Living Adjustment (COLA) and ad-hoc retro payment requests
- Identified the related risks and key controls regarding the retro payment process
- Analyzed roles of a person who has human resources and payroll access
- Judgmentally selected samples and tested validity of retro payment requests and accuracy of retro payments
- Judgmentally selected samples of COLA retros to test accuracy of pension deductions

BACKGROUND

Retroactive Payments

- COLA are based on Memorandums of Understanding between City and different unions. Depending on the length of negotiation, the proposed COLA rates may not be presented to the Board of Estimates on time (City's fiscal year ending is June 30).
- Ad-hoc retros are processed to adjust incorrect payments from prior periods due to payrate change; incorrect leave time; missing over time request, etc. Ad-hoc retro payment requests are tracked in SolarWinds.

Methods to Process Retro Requests

- Method 1 - Input relevant information to allow Workday to automatically calculate payments
- Method 2 - Manually calculate payments and enter the information in Workday

FINDING I

- **Caption**

- Staffing Vacancies and Conversion to Workday Without Written Guidance and Proper Training Significantly Contributed to Errors in Retro Payment Processing.

- **Condition**

- 54 samples that we reviewed indicated that there are significant errors in retro payment calculations; in some cases, there are insufficient documentation to confirm the validity of certain retro payments.

FINDING I (CONTINUED...)

- **Condition (Continued...)**

- Testing Accuracy for Ad-hoc Retros

- Fourteen samples (26 percent) - Approximately \$4,000 in pension deductions were not taken from salary adjustments applied retroactively. Pensions should have been deducted from these.
 - Twenty-seven retros (50 percent) totaling approximately \$120,400 were processed by using method 2 . This method is prone to human errors. Also, in some cases, it causes duplicate payment for the same retro request.

FINDING I (CONTINUED...)

- **Condition (Continued...)**

Testing Validity for Ad-hoc Retros

- Sixteen retros (31 percent) had related SolarWinds tickets. However, Workday did not correctly reference back to the SolarWinds tickets for six retros, or 35 percent totaling approximately \$25,700.
- One credit retro of approximately \$5,000 dollars was recorded with no indication of source. A credit retro is a transaction to correct the overpayment.

FINDING I (CONTINUED...)

- **Causes**

- The City is heavily relying on the consultants.
- The City does not have written policies and procedures outlining the retro process.
- The City has not provided training to employees on how to use Workday for retro payments.

- **Effect**

- Affected employee earnings
- Inaccurate disbursements had occurred

FINDING I (CONTINUED...)

- **Recommendation I**

- Establish formal (written, approved, dated) policies and procedures that includes:
 - Steps by steps processes to guide how to process retro payments in Workday
 - Clearly and consistently reference the SolarWinds ticket in Workday
 - Consistently include employee identification number and / or name in SolarWinds ticket
 - Avoid hard coding of retro in Workday and have Workday auto calculate the retro, when system allows
 - Ensure that documents supporting the calculation of retro pay are attached to the payment either in workday or solar winds when hard coding is necessary
- Train employees how to complete the retro process.

FINDING II

- **Caption-** City Had to Pay Employee Portion of Pension Contributions.
- **Condition** –The retro payments for COLA did not consistently deduct pension contributions from employee paychecks.
 - Twenty-eight bulk COLA increases from July 1, 2021 to September 27, 2023
 - Ten received the COLA increases on their effective dates and did not result in retro payments.
 - Eighteen were retroactively applied.
 - The City did not take pension from ten bulk COLA increases.
 - The bulk COLA increases were for FY 2022, FY 2023, FY 2024.

FINDING II (CONTINUED...)

SUMMARY OF TEN BULK COLA INCREASES WITHOUT PENSION DEDUCTION

No.	Unions	Fiscal Year*	Retro Completion Date	Potentially Affected Employees
1.	CUB	2022	9/7/2022	3,322
2.	CUB	2023	9/15/2022	3,253
3.	MAPS	2022	8/4/2021	2,182
4.	AFSCME Local 44 **	2022	10/6/2022	1,632
5.	AFSCME Local 44**	2023	10/26/2022	1,882
6.	AFSCME Council 67 and Local 558	2022	6/24/2022	62
7.	No unions which are for sheriffs.	1/1/2021***	4/8/2021	126
8.	No unions which are for sheriffs.	1/1/2022***	5/3/2022	107
9.	No unions which are for sheriffs.	7/1/2022***	11/25/2022	104
10.	No unions which are for sheriffs.	11/1/2022***	11/25/2022	105
Total Potentially Affected Employees				12,775

Notes:

- City's Fiscal Years is from July 1 to June 30.
- ** American Federation of State, County, Municipal Employees
- *** No unions and COLA was not based on Fiscal Year.

FINDING II (CONTINUED...)

- **Causes**

- Until August 31, 2023, retro time process was not set up to calculate and deduct employee pension contributions in Workday system.
- In Workday, the retro salary changes were set up not subject to pension deductions.
- People reviewing did not catch the missing pension deduction.

FINDING II (CONTINUED...)

- **Effect** - The City paid for the missed pension contributions.
 - Annually, an actuary calculates the annual pension cost for the current year of service. Part of this is paid through employee contributions and the rest is paid by the City.
 - Additionally, the City made a separate payment of approximately \$533,550 for the missed pension contributions for four COLA bulk increases during FY 2022.
 - The four COLA bulk increases include AFSCME Local 2202, AFSCME Local 44, AFSCME Council 67 and Local 558 and CUB.

FINDING II (CONTINUED...)

- **Recommendation II**

- Establish and implement policies and procedures to perform analytics in a test environment prior to processing mass retro payments in Workday;
- Outline analytics that are needed to be completed in the test environment; and
- Train responsible personnel how to do analytics.



Questions?