



Transit Division Payroll Processing Review

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Office of the County Auditor
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Executive Summary

This report presents the results of our payroll processing review at the Transit Division. Our objective was to evaluate whether the Transit Division's payroll is processed in compliance with County policies and procedures. The review covered the pay period ended February 21, 2009.

In general, the Transit Division complied with the County's payroll policies and procedures. However we noted the following deficiencies:

- Supervisory reviews of payroll documentation are not consistently performed or documented,
- Segregation of duties over payroll processing is lacking, and
- Written desk payroll procedures are lacking.

We also noted that the existing manual payroll process is cumbersome and time consuming.

To address these deficiencies and strengthen controls over Transit Division's payroll processing, we recommend the Board of County Commissioners direct the County Administrator to:

1. Immediately implement consistent supervisory reviews of payroll documentation to ensure accuracy, completeness and proper authorization, and to document evidence of the reviews.
2. Establish appropriate segregation of payroll duties by reassigning key payroll processing functions.
3. Develop and implement written policies and procedures to serve as a reference guide for the Transit Division payroll processing function. The policies and procedures should be comprehensive and include payroll processing at both Transit Maintenance garages to ensure that:
 - Overtime authorization forms are utilized, properly completed and approved,
 - Payroll Liaisons perform a sample review of time cards and overtime authorization forms, and
 - Personnel involved in the payroll process are properly trained in the new procedures.
4. Evaluate potential improvements in payroll processing efficiency that may result from:
 - a. Implementing of an automated timekeeping system, and/or
 - b. Negotiating administratively burdensome provisions out of the collective bargaining agreements.

Purpose and Scope

The objective of this review was to evaluate whether the Transit Division's payroll is processed in compliance with County policies and procedures. Our review covered the pay period February 8, 2009 through February 21, 2009.

Methodology

To accomplish our objectives, we:

- Reviewed:
 - Chapter 4 Payroll of the Accounting Division's Internal Control Handbook (ICH),
 - Chapter 4 Work Hours, Leave and Pay Policies of the Human Resources Division's ICH,
 - Transit Division's Amalgamated Transit Union Contract, Local 1267, and
 - Payroll documentation for a randomly selected sample of 60 employees for the pay period ended February 21, 2009.

- Interviewed Transit Division's personnel.

Background

The Transit Division (Transit) has nine sections¹ with a total of approximately 1,000 employees. It is the largest County agency in terms of the number of employees and gross payroll dollars. Transit has two primary locations; the main facility located on Copans Road and a smaller facility located south of the Fort Lauderdale/Hollywood International Airport on Ravenswood Blvd. The Ravenswood facility has two sections: maintenance and operations; while the Copans facility has seven sections, including administration, marketing, and paratransit. In addition, Transit has five separate union contracts² which govern the terms and conditions for paying represented employees. Table 1 below shows the gross payroll amounts for Transit, and the number of employees for fiscal year (FY) 2008 and the five months ended February 2009.

¹ Nine sections include: Administration, Marketing, Copans Maintenance and Operations, Service Development, Paratransit, Training, Ravenswood Maintenance and Operations

² Five Transit union contacts are: Amalgamated Transit Union, Local 1267 (Mass Transit Contract Amendments) and Local 1591 (White Collar); Federation of Public Employees (Blue Collar); Government Supervisors Association of Florida, Local 100 (Professional Unit); and Government Supervisors Association, Local 100 (Supervisory Unit)

**Table 1
Transit Division
Gross Payroll and Employees
FY 2008 & Five Months Ended February 2009**

Payroll Period	Gross Payroll	Number of Employees
FY 2008	\$49,731,000	1,022
Five Months Ended February 2009	\$22,008,400	987

Source – Cyborg Payroll System

Transit Payroll Processing

Transit utilizes the Transit Management Information System (TMIS) payroll system to record bus driver schedules and input hours worked by employees. TMIS interfaces with the County's Cyborg payroll system. The Transit Division payroll process is complex due to the variation in contract terms in their collective bargaining agreements and the number of employees. The Payroll Liaisons manually perform the following payroll functions:

- Compile and review attendance records, including bus drivers' trip sheets, time cards, time sheets, and leave forms,
- Enter payroll hours worked [and leave] into TMIS,
- Validate hours transmitted to Cyborg, and
- Distribute payroll checks.

Payroll Process

The payroll cycle is two weeks in duration, Sunday through Saturday. Payroll processes for each category of employee are as follows:

- *Salaried Employees:*
Salaried personnel are automatically paid 80 hours bi-weekly. If the employee utilizes leave³, the approved leave request must be provided to the Payroll Liaison by the second Thursday of the pay period. The Payroll Liaison confirms the leave balance in Cyborg system and enters the number of hours of leave into TMIS.
- *Bus Drivers:* (Paid on an hourly basis)
Bus drivers are generally paid according to trip schedules that are pre-entered in TMIS and updated every four months. If leave is utilized during the pay

³ Types of leave include: annual leave, sick leave, personnel and bonus days, and are documented on the Human Resources Division's Leave Form 102-112.

period, the driver completes the standard leave form, which is approved by supervisory personnel, and later reviewed and entered into TMIS by the Payroll Liaison. The driver completes a "trip sheet" to document when any of the following deviations from the pre-entered trip schedule occur:

- A backup bus driver is used to cover temporary absence,
- The bus trip schedule is interrupted, or
- Overtime is incurred.

The trip sheet is required to be approved by a supervisor and the hours are reviewed and entered into TMIS daily by the Payroll Liaison.

- *Mechanics:* (Paid on an hourly basis)
Mechanics at the Copans and Ravenswood Maintenance garages utilize punch time cards to document hours worked. Time cards and overtime authorization forms for mechanics are reviewed and summarized at each location and a schedule is prepared documenting the total hours worked by each mechanic. The schedule along with any approved leave forms are sent to the Payroll Liaisons weekly to be entered into TMIS.
- *Blue Collar Employees:* (Paid on an hourly basis)
Blue collar employees at Copans Maintenance section also utilize punch time cards to document the hours worked. The time cards along with approved leave forms are forwarded to the Payroll Liaisons, who review and enter leave and hours worked into TMIS weekly.
- *Other Hourly Employees:*
Employees other than the ones described above utilize the standard time sheet issued by the Accounting Division to record hours worked. The time sheet is approved by supervisory personnel and forwarded to the Payroll Liaisons who enter the data into TMIS along with applicable leave forms by the second Thursday of the pay period.

All payroll data must be entered into TMIS by Sunday for transmission to Cyborg on the Monday following the close of the pay period.

Payroll Batch Balancing

Before the payroll data is transmitted from TMIS to Cyborg system, the Payroll Liaisons complete a summary of payroll hours for all nine sections. This summary is compared to the information in TMIS by the Payroll Liaison to ensure the accuracy of payroll hours and categories. Once the accuracy is verified, the payroll data is transmitted to the County's Cyborg payroll system. A Batch Balancing form is then prepared by the Payroll Liaison and provided to the Associate Director for review and approval prior to faxing to Payroll Central. If errors are identified, Payroll Central must be notified of corrections to the payroll data by the Tuesday morning following payroll submission.

Payroll Check Pick-up/Distribution

The Payroll Liaison picks up pay checks and direct deposit stubs (stubs) from the Accounting Division on Thursday and separates the checks and stubs by section. Personnel from each section pick up the checks and stubs, and sign the Payroll Signature Sheet. Every employee is also required to sign when receiving a check or stub. Unclaimed checks are held at the section level for two pay periods, and then returned to the Payroll Liaisons to be mailed to the employee.

Findings

Finding 1

Supervisory reviews of payroll documentation are not consistently performed or documented.

The Accounting Division Internal Control Handbook⁴ (ICH) requires supervisory approval of the attendance reports (time cards/sheets) and all overtime hours.

We randomly selected a sample of 60 employees for the pay period ended February 21, 2009, and reviewed time sheet/cards, trip sheets, leave forms, bus driver schedules, and other documentation supporting payroll. We found a lack of evidence of the required supervisory review as follows:

- **Five** time sheets for hourly employees did not show evidence of review by the approver. This included time sheets for the two Payroll Liaisons. One time sheet understated leave hours resulting in an overpayment. Without evidence of review of time cards/sheets and leave forms, we could not establish that hours reported were verified for accuracy.
- **Two** time cards for hourly mechanics at Ravenswood which included regular and overtime hours were not approved by the supervisor. Without the supervisor's approval of overtime hours, we could not establish whether the hours were necessary and accurate. We also noted that an Overtime Authorization form is utilized and approved by the supervisor at the Copans location but is not used at the Ravenswood location.

Failure to properly perform and document reviews of documents supporting payroll can result in overpayments and/ or underpayments to employees.

⁴ The Accounting Division Internal Control Handbook, Chapter 4 Section X .B.2 & 4

Finding 2

Segregation of duties over payroll processing is lacking.

Adequate segregation of duties is considered a best practice because it impedes an individual's ability to perpetrate and conceal irregularities.

Transit Payroll Liaisons perform the following payroll functions:

- Compile and enter the payroll data into TMIS,
- Validate the accuracy of the payroll entries in TMIS, and
- Perform batch balancing.

In addition, the liaisons pickup and distribute pay checks and direct deposit stubs. As a result, payroll processing duties are not adequately segregated.

Failure to segregate the duties performed by the Payroll Liaisons could result in undetected errors and irregularities.

Finding 3

Written desk procedures for processing payroll are lacking.

Transit has five distinct collective bargaining contracts. The various provisions of these agreements add complexity to the payroll process. Additionally, the process is manual and reliant on two employees who process payroll for approximately 1,000 employees. As a good business practice, written payroll procedures should be developed to serve as a reference guide to ensure that payroll is processed uniformly and consistently and aid in training any new payroll personnel.

In response to our request, Transit staff advised that no written procedures or desk guides documenting the payroll process exist. Failure to document payroll procedures may:

- Result in errors and inconsistencies in payroll processing, and
- Compromise management's ability to train new employees to perform the duties of the payroll liaison.

Finding 4

Transit Division's manual payroll process is cumbersome and time consuming.

The Transit payroll process is cumbersome and time consuming because of the:

- High volume of payroll documentation,
- Manual processes,
- Multiple union contracts with complex rules,(i.e. overtime paid minute by minute)
- 24/7 operation, and

- Quick turnaround time for payroll processing (submission to Payroll Central due within one day following the close of the pay period)

These conditions exacerbate the potential for errors and adjustments and caused approximately 1,400 overtime hours to process payroll in calendar year 2008.

Automating the time keeping system may reduce the potential for errors and adjustments as well as overtime hours. We understand that Transit management is considering the automation of the time keeping system during fiscal year 2010.

Recommendations

To address these deficiencies and strengthen controls over Transit Division's payroll processing, we recommend the Board of County Commissioners direct the County Administrator to:

1. Immediately implement consistent supervisory reviews of payroll documentation to ensure accuracy, completeness and proper authorization, and to document evidence of the reviews.
2. Establish appropriate segregation of payroll duties by reassigning key payroll processing functions.
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