



Port Everglades Department – 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 of the Port Everglades (Port) Department. Our objective was to evaluate whether the Port Department's payroll is processed in compliance with applicable County policies and procedures. The review covered the pay period May 31, 2009 through June 13, 2009.

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

- Supervisory bargaining unit employees are incorrectly paid premium overtime for hours worked between 37 ½ and 40 hours per week. Such hours should be paid as straight overtime,
- Supervisory reviews are not consistently documented, and
- Undistributed physical paychecks are not securely stored at the Harbormaster and Linehandlers sections.

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

1. Take immediate steps to ensure future overtime payments are made in accordance with the appropriate labor bargaining agreements' provisions and the County's payroll policies and procedures.
2. Consider the practicality of collecting amounts previously paid in error.
3. Ensure supervisory reviews of payroll documentation are consistent, accurate, complete and properly authorized and evidence of the reviews is documented.
4. Require section supervisors or designees to securely store undistributed physical paychecks until the employee collects it in person.
5. Require employees to sign when receiving physical paychecks. The completed sign-in sheet should be returned to the Payroll Liaison in the Finance Section to be filed with other payroll documents for the pay period.

Purpose and Scope

The objective of this review was to evaluate whether the Port Department's payroll is processed in compliance with applicable County policies and procedures. Our review covered the pay period May 31, 2009 through June 13, 2009.

Methodology

To accomplish our objectives, we:

- Reviewed:
 - The Internal Control Handbook (ICH):
 - Volume 6, Accounting Division, Chapter 4, Payroll, and
 - Volume 15, Human Resources Division, Chapter 4, Work Hours, Leave and Pay Policies.
 - Port's Labor Bargaining Agreements:
 - Federation of Public Employees, Non-Supervisory Unit,
 - Federation of Public Employees, Supervisory Unit,
 - Federation of Public Employees, Port Maintenance Unit, and
 - Government Supervisors Association of Florida, Local 100 Professional Unit.
 - Payroll documentation for a sample of 60 employees¹ for the pay period ended June 13, 2009.
- Interviewed Port Department's personnel.

Background

Port Everglades (Port) Department operates seven days a week with approximately 200 employees assigned to twelve business sections². The Port has four separate labor bargaining (union) agreements³, which govern the terms and conditions for paying represented employees. Based on the agreements, Port Maintenance and Non-Supervisory union employees are eligible to receive overtime pay for each hour or portion of an hour worked in excess of eight hour a day. The Supervisory and Professional labor bargaining agreements require overtime pay for hours worked in excess of 40 hours per week.

¹ Of the 60 employees, 36 were randomly selected and 24 were judgmentally selected. Overtime is considered in the judgmental sample selection.

² The twelve sections are: Administration, Operations, Business, Public Works, Finance, Cargo Market & Sales, Foreign Trade Zone, Harbormaster, Linehandlers, Crane, Cruise Marketing, and Port Security.

³ The four labor bargaining agreements are: Federation of Public Employees, Non-Supervisory Unit; Federation of Public Employees, Supervisory Unit; Federation of Public Employees, Port Maintenance Unit; and Government Supervisors Association of Florida, Local 100 (Professional Unit).

Table 1 below summarizes the Port’s gross payroll amounts and the number of employees for fiscal year (FY) 2008 and eight months ended May 2009.

**Table 1
Port Gross Payroll and Employees
FY 2008 & Eight Months Ended May 2009**

Payroll Period	Gross Payroll	Number of Employees
FY 2008	\$13,822,660	226
Eight Months Ended May 2009	\$8,865,460	213

Source – Cyborg Payroll System

Port Payroll Processing

Port utilizes the County’s Cyborg payroll system (Cyborg) to record hours worked and leave taken by the employee. Two Payroll Liaisons and one payroll supervisor in the Port’s Finance Section perform the following payroll functions:

- Compile and review manual time sheets and leave forms from the twelve sections,
- Enter payroll data into Cyborg,
- Perform batch balancing of hours entered in Cyborg, and
- Distribute checks and direct deposit stubs.

Payroll Documentation Compilation and Review

The payroll cycle is two weeks in duration, Sunday through Saturday. Each of the twelve business sections submits their bi-weekly payroll documentation to the Payroll Liaisons in the Finance Section by noon on the second Tuesday of the pay period. The Payroll Liaisons divide the payroll documentation into 16 batches. The Payroll Liaison prints “Broward County Leave Balances” for each section from BC-Net to confirm leave balances and ensure time sheets are received for all hourly employees. The payroll processes for salaried and hourly employees are as follows:

- *Salaried Employees*
Salaried personnel are not required to submit time sheets and are automatically paid 80 hours bi-weekly. If leave is utilized during the pay period, the employee completes a standard leave form which is required to be approved by supervisory personnel. The Payroll Liaison reviews the form to ensure that it is properly completed, signed by the employee and authorized by supervisory personnel. The Payroll Liaison then summarizes leave hours by leave code (eg. 160 = vacation, 150 = sick, etc.) at the bottom of the form for later entry into Cyborg.

- Hourly Auto Paid Employees

Hourly personnel must fill out a bi-weekly time sheet. Eighty hours are automatically set up in Cyborg for the hourly auto paid employees. Therefore the Payroll Liaisons only need to enter the non-regular hours (e.g. overtime, vacation, sick, etc.) into Cyborg. If leave is utilized, the same procedures are followed as salaried employee. If employees work overtime, they are required to prepare an overtime authorization form to document the hours and reasons for overtime, and obtain an approval from supervisory personnel.

Employees at the Public Works, Linehandlers and Harbormaster sections utilize punch time cards to document hours worked. Entries on the time cards are reviewed and transcribed to standard time sheets by each section supervisor. The time sheets along with any approved overtime authorization and leave forms are sent to the Payroll Liaisons for processing. Payroll Liaisons review the payroll documentation and summarize bi-weekly non-regular hours by leave code at the bottom of the time sheets for later entry into Cyborg.

Cyborg Entry, Batch Balancing and Transmittal Approval

After all payroll documentation is reviewed for accuracy and coded with proper HED (Hours, Earnings and Deductions) classification, one of the Payroll Liaisons prepares a “Cyborg Input Worksheet” for each batch to summarize the time entries documented at the bottom of the time sheets and leave forms. The completed “Cyborg Input Worksheet” along with time sheets and leave forms for each batch are reviewed for accuracy by the other Payroll Liaison and payroll supervisor who both review and sign at the bottom of the form, indicating the batch is ready for input into Cyborg.

The Payroll Liaisons sign into Cyborg and use the information on the “Cyborg Input Worksheet” for each batch to perform the following steps:

- Completes the “Batch Balances” screen by entering the batch count, total regular and overtime hours into Cyborg,
- Enters time entries (hours worked and leave) for each employee as summarized on the “Cyborg Input Worksheet”, and
- After all entries are made in Cyborg, the system generates a “Time Entry Batch Balancing” screen showing whether the count and total hours are balanced. If the batch totals do not agree, the liaisons verify each entry and make the necessary corrections.

After the batch balancing is completed, a “Total Batch Balances Summary Form” is prepared by the Payroll Liaison and provided to the payroll supervisor and Accounting Manager for review and approval prior to faxing to Payroll Central on Friday afternoon.

Payroll corrections made after the second Tuesday of the pay period are adjusted in the next pay period. On the Tuesday following the close of the pay period, a “Payroll Time Entries Report” is received from Payroll Central. The Payroll Liaison reviews the report against all entries made to Cyborg for accuracy and clears any discrepancy with Payroll Central prior to the payroll completion.

Payroll Check Pick-up/Distribution

On Thursday following the close of the pay period, designated personnel in the Finance Section (other than the Payroll Liaisons) pick up the pay checks and direct deposit stubs (stubs) from the Accounting Division. The checks and stubs are given to the Payroll Liaison who uses the “Broward County Employee Roster” to sort by section and ensure a check or stub was generated for each employee listed on the roster. Personnel from each section pick up the checks and stubs in the Finance Section, and sign the “Payroll Checks Sign-out Sheet”. If a check is unclaimed, the Payroll Liaison returns it to Payroll Central.

Findings and Recommendations

Finding 1

Supervisory bargaining unit employees are incorrectly paid premium overtime for hours worked between 37 ½ and 40 hours per week. Such hours should be paid as straight overtime.

We judgmentally and randomly selected a sample of 60 employees for the pay period ended June 13, 2009, and reviewed time sheets, leave forms, Cyborg payroll input worksheet, batch balancing forms and other payroll supporting documentation.

Five of the 60 employees selected were members of the Supervisory labor bargaining unit. Three of the five were paid overtime for the pay period reviewed. We found all three employees were incorrectly paid at the premium overtime rate for the 2 ½ hours worked between 37 ½ and forty hours (the time adjustment hours).

The Supervisory labor bargaining agreement⁴ and the Human Resources Division’s Internal Control Handbook (ICH)⁵ indicate premium overtime shall be paid for time worked in excess of 40 hours. Therefore the time adjustment hours should be paid at

⁴ Federation of Public Employees, Supervisory Unit, Article 13 Overtime, Section 1.

⁵ Human Resources Division Internal Control handbook (ICH), Chapter 4 Work Hours, Leave and Pay Policies, Section I.F.1

the straight overtime rate. As a result, Port overpaid \$238 overtime to these three employees for the pay period reviewed.

In discussing the matter with management, it became evident that the Port has consistently paid premium overtime for hours worked in excess of 37 ½ hours per week in conflict with the labor agreement and county policy.

Recommendations

To ensure compliance with the labor bargaining agreements and County's payroll policies and procedures and strengthen controls over Port's payroll processing, we recommend the Board of County Commissioners direct the County Administrator to:

1. Take immediate steps to ensure future overtime payments are made in accordance with the appropriate labor bargaining agreements' provisions and the County's payroll policies and procedures, and
2. Consider the practicality of collecting amounts previously paid in error.

Finding 2

Supervisory reviews are not consistently documented.

The Accounting and the Human Resources Division ICH⁶ require supervisory approval of attendance reports (time sheets) and leave forms.

Our review found:

- **One time card** for an hourly employee in the Finance Section was not reviewed and signed by the supervisor, and
- **One leave form** for a salaried employee in the Director's Office Section was not reviewed and signed by the supervisor.

Without supervisor's review and approval of time sheets and leave forms, we could not establish whether hours reported were verified for accuracy. Failure to approve the payroll documentation may result in overpayments and/or underpayments to employees.

⁶ The Accounting Division ICH, Chapter 4 Payroll, Section X .B.2 and Human Resources Division ICH, Chapter 4 Work Hours, Leave and Pay Policies, Section III.C.4

Recommendation

3. To ensure compliance with the County's payroll policies and procedures and strengthen controls over Port's payroll processing, we recommend the Board of County Commissioners direct the County Administrator to ensure supervisory reviews of payroll documentation are consistent, accurate, complete and properly authorized and evidence of the reviews is documented.

Finding 3

Undistributed physical paychecks are not securely stored at Harbormaster and Linehandlers sections.

The Accounting Division ICH⁷ requires that paychecks must be distributed personally to each employee. In addition, placing an employee's paycheck in a desk drawer or other location, to be picked up by the employee, is an unacceptable method of paycheck distribution.

Approximately 30 out of 200 employees at the Port receive physical paychecks. The Public Works, Harbormaster and Linehandlers sections receive the majority of physical paychecks. We noted undistributed physical paychecks at the Harbormaster and Linehandlers sections are placed in the individual's unlocked mailbox, which can be accessed by anyone. As a result, physical paychecks may be removed by someone other than the employees, which may be fraudulently negotiated.

Recommendations

To ensure compliance with the County's payroll policies and procedures and strengthen controls over Port's payroll processing, we recommend the Board of County Commissioners direct the County Administrator to:

4. Require section supervisors or designees to securely store undistributed physical paychecks until the employee collects it in person, and
5. Require employees to sign when receiving physical paychecks. The completed sign-in sheet should be returned to the Payroll Liaison in the Finance Section to be filed with other payroll documents for the pay period.

⁷ The Accounting Division ICH, Chapter 4 Payroll, Section XII.C.1