FAYETTEVILLE NC

AMERICA'S CAN DO CITY

City of Fayetteville, NC
Audit Committee Meeting

January 25, 2024 @3:00 pm

1st Floor – Lafayette Room

433 Hay Street, Fayetteville, NC 28301

AGENDA

1. Call to Order

2. Approval of Agenda

3. Approval of Meeting Minutes

4. Discussion of Committee Officer Appointments

5. Management Reports *(Summary presented by Internal Audit staff)*
   a. Quarterly Management Implementation Status Report

6. Internal Audit Activities *(Presented by Internal Audit staff)*:
   a. Police Payroll Follow-up Audit
   b. Kronos Implementation – Police Audit
   c. Subrecipient Grant Monitoring Follow-up Audit

7. Adjournment

Attachments:
a) Draft Meeting Minutes – October 26, 2023
b) Quarterly Management Implementation Status Report 2nd Quarter FYE24
c) Police Payroll Follow-up Audit (A2020-01F)
d) Kronos Implementation – Police Audit (A2022-02)
e) Subrecipient Grant Monitoring Follow-up Audit (A2022-04F)

FAYETTEVILLE AUDIT COMMITTEE MEETING MINUTES
LAFAYETTE CONFERENCE ROOM
CITY HALL, 433 HAY STREET
THURSDAY, OCTOBER 26, 2023
3:00 P.M.

Committee Members Present: Ron O'Brien, Chair
Dr. Mfon Akpan, Vice Chair
Johnny Dawkins, Mayor Pro Tem
Derrick Thompson, Council Member

Committee Members Absent: D.J. Haire, Council Member

Staff Present: Lachelle Pulliam, Interim City Attorney
Jeffery Yates, Assistant City Manager
Jodi Picarella, Chief Financial Officer
Rose Rasmussen, Internal Audit Director
Kimberly Toon, Assistant Chief Financial Officer
Ronnie Willett, Fire Deputy Chief
Daniel Edwards, Public Services Assistant Director
Christina Zimmerman, Senior Internal Auditor
Kathleen Johnson, Internal Auditor
Paula Handberry, Executive Assistant to the City Council

1. **CALL TO ORDER**

   Mr. Ron O'Brien called the meeting to order at 3:02 p.m.

2. **APPROVAL OF THE AGENDA**

   MOTION: **Council Member Thompson moved to approve the agenda.**
   SECOND: **Mayor Pro Tem Dawkins**
   VOTE: **UNANIMOUS (4-0)**

3. **APPROVAL OF MEETING MINUTES**
   August 31, 2023

   MOTION: **Council Member Thompson moved to approve the August 31, 2023 meeting minutes.**
   SECOND: **Mayor Pro Tem Dawkins**
   VOTE: **UNANIMOUS (4-0)**

4. **DISCUSSION OF COMMITTEE OFFICER APPOINTMENTS**

   The Audit Committee Bylaws require that the officers be elected annually. Currently, the Chair is Mr. Ron O'Brien and Vice Chair is Dr. Mfon Akpan.

Officer Appointments

Article III

OFFICERS

Section 1. Enumeration of Offices. The Officers of the Committee shall be a Chairperson and Vice-Chairperson.

Section 2. Election of Officers and Term of Office. The officers shall each be elected at the regularly scheduled meeting held in August, take office immediately upon election, and serve a one-year term or until a successor is elected at the subsequent years quarterly meeting held in August.

Ms. Rose Rasmussen, Internal Audit Director stated August isn't a good month due to Mayor and City Council Elections. January or April seems to be a more appropriate time. Mayor Pro Tem Dawkins suggested waiting until after the election to see who the Mayor appoints to the board.

Council Member Thompson asked why are committee elections held every year instead of every two-years. Ms. Rasmussen responded she was unsure.

> **MOTION:** **Council Member Thompson moved to amend the bylaws to change the election of Officers to every two-years in January.**
> **SECOND:** **Mayor Pro Tem Dawkins**
> **VOTE:** **UNANIMOUS (4-0)**

5. MANAGEMENT REPORTS

A. Quarterly Management Implementation Status Report

Of the 10 completed audits on the Corrective Action Plan (CAP), seven are ready for a follow up by Internal Audit. Management has expressed that all recommendations have been fully implemented.

Currently, three of the completed audits have outstanding recommendations.

Residential Solid Waste Fees currently has two recommendations. A request for proposal will be completed for a new Fleet Onboarding Management System. Once the software is in place, the address data and applicable policies will be updated to reflect the new process.

Vector Fleet Contract currently has one recommendation not implemented. The recommendation is to establish a fleet committee to hold regular meetings. Currently, fleet meetings are regularly held with individual departments, but not as an official committee. The Fleet Manager position is vacant. Discussion ensued.

Fires Kronos Implementation has currently two recommendations. The recommendation is to update policies in relation to timekeeping and payroll. The Fire Department is waiting on the integration of scheduling software into the City's time keeping software. Once the integration is complete policies will be updated. Discussion ensued.

This report is for informational purposes and no action needed.

6. INTERNAL AUDIT ACTIVITIES

A. Procurement Card Follow-up Audit

Ms. Rasmussen stated the original audit was presented in January 2023 with one agreed upon recommendation. As of August 31, 2023, the one outstanding recommendation was fully implemented. The scope of this audit was limited to determine if management implemented the recommendations in the original audit. This included the review of the updated procurement policy and associated training materials.

> **MOTION:** **Mayor Pro Tem Dawkins moved to accept the Procurement Card Follow-up Audit**
> **SECOND:** **Dr. Mfon Akpan**
> **VOTE:** **UNANIMOUS (4-0)**

B. Current Projects

Ms. Rasmussen stated once the annual audit is completed a special meeting will be called to present the FY2023 Financial Audit. The Subrecipient Grant Monitoring, Kronos Implementation, and Police Payroll Follow up projects are near completion.

Internal Audit and the Transit Department are preparing for the Transit Cash Handling Consulting Service. Discussion ensued.

HUB Human Capital Management (HCM) Oracle Access Controls and HUB HCM Payroll Implementation is an on-going project. Discussion ensued.

7. ADJOURNMENT

There being no further business the meeting adjourned at 3:38 p.m.

January 25, 2024

Members of the Audit Committee,

Enclosed is the updated Quarterly Management Implementation Status Report.

The attached report provides members of the Audit Committee with an update on the progress of management's implementation of recommendations made by the Office of Internal Audit. Departmental management updates will be provided quarterly at each regularly scheduled Audit Committee Meeting.

A short summary of the progress updates are provided to allow a quick assessment of the audit report recommendations NOT fully implemented. The attached report represents updates given by management on the progress made to implement Internal Audit's recommendations. Except as otherwise noted, no assessment on the progress of the recommendations has been performed by the Office of Internal Audit.

Please provide us with any questions or ideas for improving this report to enhance your ability to monitor the effective implementation of recommendations.

A summary of the report will be presented. We welcome discussion on the management updates.

Respectfully,
Rose Rasmussen, CIA
Internal Audit Director

Office of Internal Audit
Quarterly Management Implementation Status Report
Fiscal Year 2023-2024 (2nd Quarter)

		Recommendations				
	Date Released	Issued	Accepted	Implemented	Partially Implemented	Not Implemented
Contract Practices and Procedures A2016-06	October 2017	3	3	3	0	0
Performances Measures A2018-04	January 2019	4	4	4	0	0
Code Violation Enforcement and Collections A2019-06	August 2019	7	7	7	0	0
Residential Solid Waste Fees A2019-04	October 2019	5	5	3	1	1
Accounts Payable Timeliness A2020-02	January 2021	5	5	5	0	0
Wireless Communication Usage A2021-02	August 2021	7	6	6	0	0
Vector Fleet Contract A2020-04	November 2021	3	2	2	0	0
Fire Kronos Implementation A2022-01	January 2022	4	4	2	2	0

*This Report does not include the Permitting and Inspections Follow-up Audit.

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	Recommendation	Management Response	Management Follow-up Response – October 26, 2023	Management Follow-up Response – January 25, 2024

A2019-04 Residential Solid Waste Fees				

Status of Recommendations on October 26, 2023:			
Implemented	Partially Implemented	Not Implemented	Total
3	1	1	5
*This report reflects responses for the 2 outstanding recommendations.			

2.2	Develop a process to add, activate and inactivate addresses in Fleetmind as needed to maintain current, accurate, valid data.	Management concurs with the need to develop a process to add, activate and inactivate addresses in Fleetmind to maintain a current, accurate, and valid data base. However, this process is contingent upon the outcomes of 'Recommendation #1'. Further, full implementation of these processes involves compliance and cooperation from entities outside the direct control and influence of the Solid Waste Division such as CoF's Planning Division, Cumberland County and FleetMind Vendor. Implementation dates provided below are for those activities that are within the direct control and influence of the Solid Waste Division as well as what can be accomplished within Council appropriated budgetary limits. **Responsible Party:** Public Services Director	**Partially Implemented** Although some Fleetmind upgrades are complete, the Fleetmind system is not consistent. SW will complete an RFP for the Fleet-onboarding system before the end of FY24. Routesmart street data is outdated and will be updated in FY24. Upon completing "Recommendation 1" and updating Routesmart and Fleetmind, SW will vet the onboarding data to align with any necessary ordinance revisions.	**Partially Implemented** Although some Fleetmind upgrades are complete, the Fleetmind system is not consistent. SW will complete an RFP for the Fleet-onboarding system before the end of FY24. Routesmart street data is outdated and will be updated in FY24. Upon completing "Recommendation 1" and updating Routesmart and Fleetmind, SW will vet the onboarding data to align with any necessary ordinance revisions.

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	Recommendation	**Management Response**	**Management Follow-up Response – October 26, 2023**	**Management Follow-up Response – January 25, 2024**
A2019-04 Residential Solid Waste Fees				
		Implementation Date: Public Services Solid Waste Division will develop a process to add, activate and inactivate addresses in Fleetmind to maintain a current, accurate, and valid data base by June 30, 2022 contingent upon management responses.		
2.3	Develop comprehensive written policies and procedures to maintain Fleetmind data integrity, once the processes are established.	Management concurs with the need to develop comprehensive written policies and procedures to maintain Fleetmind data integrity. However, this process is contingent upon the outcomes of 'Recommendation #1". Further, full implementation of these processes involves compliance and cooperation from entities outside the direct control and influence of the Solid Waste Division such as CoF's Planning Division, Cumberland County and FleetMind Vendor. Implementation dates provided below are for those activities that are within the direct control and influence of the Solid Waste Division as well as what can be accomplished within Council appropriated budgetary limits.	**Not Implemented** The SW team will commence writing policies and procedures to uphold data integrity (**the overall accuracy, completeness, and consistency of data**) for Fleetmind and Routesmart following the Council's approval of the SW Ordinance and updating Routesmart street data. In FY24, the staff will also upgrade the onboarding system to replace Fleetmind. The new ordinance took effect on July 1, 2023.	**Not Implemented** The SW team will commence writing policies and procedures to uphold data integrity (**the overall accuracy, completeness, and consistency of data**) for Fleetmind and Routesmart following the Council's approval of the SW Ordinance and updating Routesmart street data. In FY24, the staff will also upgrade the onboarding system to replace Fleetmind. The new ordinance took effect on July 1, 2023.

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	Recommendation	Management Response	Management Follow-up Response – October 26, 2023	Management Follow-up Response – January 25, 2024
A2019-04 Residential Solid Waste Fees				
		Responsible Party: Public Services Director **Implementation Date:** Public Services Solid Waste Division will develop comprehensive written policies and procedures to maintain Fleetmind data integrity by June 30, 2022 contingent upon management responses.		

KEY	**Not Implemented**	**Partially Implemented**	**Implemented**	**Past Implementation Date**
	Recommendation	**Management Response**	**Management Follow-up Response – October 26, 2023**	**Management Follow-up Response – January 25, 2024**

A2020-04 Vector Fleet Contract Audit

Status of Recommendations October 26, 2023:			
Implemented	Partially Implemented	No Longer Concur	Total
2	0	1	3
*This report reflects responses for the 1 outstanding recommendation.			

1.3	Establish a Fleet Maintenance Committee comprised of representatives from various City departments that utilize fleet services. A Committee chair, preferably a manager from the City Manager's Office, should lead the group. The Committee's purpose should be to address fleet-related issues, such as developing fleet policies and procedures, and resolving fleet service-related issues. The Fleet Manager's role should be to staff the Committee and bring topics and analysis to the Committee for discussion.	a. Management believes establishing a "Fleet Committee" could be valuable and provide some desired clarity in accountability, areas of responsibility, establishment of agreed Standard Operating Procedures (SOP's) and process improvements. The resulting recommendations will be either implemented or submitted to the City Manager's Office for consideration(s). b. Management will establish a weekly scheduled meeting with the Fleet Management and Maintenance Staff: Fleet Manager will facilitate this meeting. In addition management will schedule a monthly meeting with the full Fleet Committee, facilitated by a Staff member from the City Manager's Office.	**Not Implemented** Weekly meetings with departments have been established, and invites have been sent to appropriate parties. Policies are being updated, waiting for final results from consulting group to finalize the appropriate policies and procedures.	**No Longer Concur** The City continues to develop and build its capacity to manage its fleet. Instead of a committee, the City's Fleet Manager will work directly with departments to strategically manage the City's fleet. In addition, the City has implemented an asset management and work order system to analyze and provide cost management related to ongoing maintenance and repair. At this time, the formalization of a fleet committee is not planned; if, in the future, management feels it appropriate, this may be reconsidered.

Office of Internal Audit
Quarterly Management Implementation Status Report
Fiscal Year 2023-2024 (2nd Quarter)

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	Recommendation	Management Response	Management Follow-up Response – October 26, 2023	Management Follow-up Response – January 25, 2024
A2020-04 Vector Fleet Contract Audit				
		Responsible Party: Chief Financial Officer or his/her Designee **Implementation Date:** a. January 31, 2022 – Seek City Manager's Office approval to establish committee and select facilitator and members. b. February 28, 2022 – Conduct kick-off meeting		

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	Recommendation	Management Response	Management Follow-up Response – October 26, 2023	Management Follow-up Response – January 25, 2024
A2022-01 Fire Kronos Implementation Audit				

Status of Recommendations on October 26, 2023:			
Implemented	Partially Implemented	Not Implemented	Total
2	2	0	4
*This report reflects responses for the 2 outstanding recommendations.			

1.1	Work with the Human Resource Development Department and the City Attorney's Office and establish written payroll policies.	Now that the transition is nearly complete, the department can codify its practices, aligned with the functionality of the new systems. The department has been made aware of a pending upgrade to the Kronos and Telestaff software platforms that necessitates delay of implementing any new policies until system changes are known. In the interim, the department has requested review of its payroll practices by a third party consultant. The department plans to have its new processes defined by policy no later than June 30, 2022. **Responsible Party:** Deputy Chief of Human Resources **Implementation Date:** June 30, 2022	**Partially Implemented** A written draft of the process under the current system has been completed. The department is still relegated to waiting upon the system upgrades and system error corrections to be completed before codifying into policy. The department is working directly with UKG for technical issues related to Kronos/Faypay integration issues. Payroll issues are persistent. Overtime Codes, Fire-leveling and Time off request errors continue to exist in the Kronos system.	**Partially Implemented** A written draft of the process under the current system has been completed. The department is still relegated to waiting upon the system upgrades and system error corrections to be completed before codifying into policy. The department is working directly with UKG for technical issues related to Kronos/Faypay integration issues. Payroll issues are persistent. Overtime Codes, Fire-leveling and Time off request errors continue to exist in the Kronos system.

Office of Internal Audit
Quarterly Management Implementation Status Report
Fiscal Year 2023-2024 (2nd Quarter)

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	Recommendation	Management Response	Management Follow-up Response – October 26, 2023	Management Follow-up Response – January 25, 2024

A2022-01 Fire Kronos Implementation Audit

			Management Follow-up Response – October 26, 2023	Management Follow-up Response – January 25, 2024
			Integration of department's staffing program, time keeping program and payroll system was initiated in March 2023 but many errors have been presented without an identified resolution. These issues have to be resolved before written guidance can be finalized and codified. It is still a work in progress.	Integration of department's staffing program, time keeping program and payroll system was initiated in March 2023 but many errors have been presented without an identified resolution. These issues have to be resolved before written guidance can be finalized and codified. It is still a work in progress.
1.2	Update and maintain documented payroll procedures to align with current payroll processes. The procedures should be sufficient for alternate employees to process departmental payroll.	Now that the transition is nearly complete, the department can codify its practices, aligned with the functionality of the new systems. The department has been made aware of a pending upgrade to the Kronos and Telestaff software platforms that necessitates delay of implementing any new policies until system changes are known. In the interim, the department has requested review of its payroll practices by a third party consultant. The department plans to have its new processes defined by policy no later than June 30, 2022.	**Partially Implemented** A written draft of the process under the current system has been completed. The department is still relegated to waiting upon the system errors to be corrected before codifying into policy. Guidance included in the original draft document, required to effectuate bi-weekly payroll, will likely need significant revision, once the technical errors have been addressed.	**Partially Implemented** A written draft of the process under the current system has been completed. The department is still relegated to waiting upon the system errors to be corrected before codifying into policy. Guidance included in the original draft document, required to effectuate bi-weekly payroll, will likely need significant revision, once the technical errors have been addressed.

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KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	Recommendation	Management Response	Management Follow-up Response – October 26, 2023	Management Follow-up Response – January 25, 2024
A2022-01 Fire Kronos Implementation Audit				
		Responsible Party: Deputy Chief of Human Resources **Implementation Date:** June 30, 2022	Integration of department's staffing program, time keeping program and payroll system was initiated in March 2023 but many errors have been presented without an identified resolution. These issues have to be resolved before written guidance can be finalized and codified. It is still a work in progress.	Integration of department's staffing program, time keeping program and payroll system was initiated in March 2023 but many errors have been presented without an identified resolution. These issues have to be resolved before written guidance can be finalized and codified. It is still a work in progress.

POLICE DEPARTMENT PAYROLL FOLLOW-UP (A2020-01F)

January 2024

OUR MISSION

Provide independent, objective assurance and consulting services designed to add value and improve the City of Fayetteville's operations.

Internal Audit Director

Rose Rasmussen, CIA

Senior Internal Auditor

Christina Zimmerman, CFE

Internal Auditor

Kathleen Johnson

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Police Department Payroll

(A2020-01)

Original Report Issued:

August 2020

Objectives were to determine if:

- Time and attendance information matched authorized supporting documentation and allowed for appropriate audit trail;
- Individual and overall time approval were appropriate;
- Payroll changes were appropriately supported, authorized and verified;
- Hours paid agreed with the supporting documentation and;
- Compensation was in accordance with relevant directives.

Background

- The City of Fayetteville operates on a bi-weekly pay schedule.
- Payroll prepared by the Police Department consists of one employee who processes the bi-weekly payroll for approximately 520 employees.
- The Police Department uses a manual paper timekeeping system to track time, but standardization of forms and practices followed by Police Department personnel were developed internally and did not clearly capture all time worked.

Highlights:

- Current timekeeping process within the Police Department created an environment of confusion and duplication of work.

- Incorrect wages were paid to employees due to the use of the summary sheet which also caused inefficiencies and lack of timecard accountability.

- Timecards were submitted before the end of the workweek and revisions were required to reflect hours worked outside of the employee scheduled work hours.

- Paper timecards and summary sheets utilized by police department personnel were not clear on the type of pay being requested (i.e., paid overtime versus compensation accrued). In addition, these forms did not calculate all the hours.

- JD Edwards payroll authorization reports were not reviewed to the payroll source documents to ensure accurate and complete processing which resulted in keying errors causing wages paid to personnel to be incorrect.

- Incorrect payments of Fair Labor Standards Act (FLSA) 207 (k) overtime to law enforcement (sworn/non-exempt) personnel were noted.

- Written departmental operating procedures did not have sufficient controls for accountability or were not in compliance with applicable regulations.

- City personnel involved in the Police Department's payroll process lacked a thorough understanding of all applicable guidelines.

- Exempt departmental personnel were required to complete a timecard only when leave time was taken. However, requested leave time (sick, vacation, holiday or come time) was not consistently documented on timecards or summary sheets. Additionally, the department did not have a formal leave request process.

WHY THIS MATTERS

Tracking employee's time can increase productivity, provide transparency, and support the City in complying with the Fair Labor Standards Act (FLSA) along with assisting in efficiencies. If the City is unable to track time accurately the City will be in violation of FLSA regulations, incorrect payment of wages to employees are inevitable and legal proceedings against the City are possible.

Action Since Original Audit Report

Police Payroll Follow-Up Audit (A2020-01F)

The Office of Internal Audit has completed follow-up on the Police Payroll Audit approved by the Audit Committee on August 6, 2020.

Objective and Scope
Determine whether management implemented corrective actions to the audit recommendations reported by the Office of Internal Audit.

The scope of the follow-up audit was limited to the findings and accepted recommendations in the original audit of Police Payroll.

Notice of change in operations:
The Police Department signed the user acceptance agreement for implementation of Kronos, an electronic timekeeping system, September 30, 2020. As a result, time and attendance tracking became an automated process and the department no longer used paper forms. Employees were required to clock in and out electronically in real time. Therefore, all hours, with the exception of pre-approved time off such as extended medical or military leave, should have been submitted after the hours were worked. Due to this implementation, the Police Payroll process changed rendering some of the original audit recommendations no longer applicable.

Summary Results

18 recommendations proposed in August of 2020

Internal Audit determined 15 of the 18 recommendations were resolved by implementing Kronos, an electronic timekeeping system. The Finance Department also worked on training for payroll personnel and set aside funds for the Payroll Supervisor to obtain a certification.

Internal Audit continues to recommend:

- Policies and procedures are updated to reflect current processes, are FLSA compliant, and define consequences for non-compliance with formal leave request processes.
- All staff involved in the payroll process are trained in all aspects of payroll policies and operating procedures.
- The Police Department Personnel Technician should report to a position with expertise in business processes and internal controls.
- Provide the Payroll Manager with the funding and opportunity to obtain a payroll certification.

FULLY IMPLEMENTED OR NO LONGER APPLICABLE 15   **PARTIALLY IMPLEMENTED** 2   **NOT IMPLEMENTED** 1

Finding 1- A manual timekeeping process was used which included unnecessary work; ultimately caused payroll errors and impacted timekeeping records.

Recommendation 1.1 **SUMMARY OF ORIGINAL FINDING**	The office of Internal Audit recommends the Police Department, to include E-911, consult with the Finance Department on streamlining the manual timekeeping and payroll processes to include eliminating the summary sheets and use timecards to enter the time and attendance into JD Edwards with the end goal of moving towards implementing an automated time and attendance system.
CURRENT OBSERVATION	See notice of change in operations on page 2.
DETERMINED STATUS	**NO LONGER APPLICABLE**

Finding 2- Paper timekeeping forms lacked clarity causing payroll processing errors.

Recommendation 2.1 **SUMMARY OF ORIGINAL FINDING**	Require employee and supervisor signatures and dates signed on all timekeeping forms.
CURRENT OBSERVATION	See notice of change in operations on page 2.
DETERMINED STATUS	**NO LONGER APPLICABLE**

Recommendation 2.2 **SUMMARY OF ORIGINAL FINDING**	Consult with the Finance Department to create department-wide standardized timekeeping forms that at a minimum capture all time worked to include court time, compensatory time and overtime earned, scheduled hours and leave taken. This change will ensure consistency of documentation supporting timekeeping within the department. If the department deviates from approved standardized timekeeping forms, authorization should be obtained from the Finance Department.
CURRENT OBSERVATION	See notice of change in operations on page 2.
DETERMINED STATUS	**NO LONGER APPLICABLE**

Finding 3- Processing hours worked in the incorrect 28-day FLSA period caused errors in pay.

Recommendation 3.1 **SUMMARY OF ORIGINAL FINDING**	Require timecards be submitted only after all hours have been worked for the pay period.
CURRENT OBSERVATION	See notice of change in operations on page 2.
DETERMINED STATUS	**NO LONGER APPLICABLE**

Recommendation 3.2 **SUMMARY OF ORIGINAL FINDING**	Coordinate with the Finance Department to implement a process that will ensure FLSA 207 (k) overtime is paid correctly for all prior period work hours.
CURRENT OBSERVATION	Changes in payroll processes due to the implementation of the electronic timekeeping system made this recommendation obsolete for the Police Department. The Finance Department process for FLSA 207(K) overtime calculation was addressed in a management letter issued to the Finance Department on December 13, 2023.
DETERMINED STATUS	**NO LONGER APPLICABLE**

Finding 4 – Payroll authorization reports from JD Edwards were not reviewed to timecards.

Recommendation 4.1 **SUMMARY OF ORIGINAL FINDING**	The Police Department to include E-911, should ensure a qualified independent employee, with a complete understanding of payroll consistently review every payroll period, all JD Edward Payroll authorization reports back to the source documents (timecards) before payroll is submitted to the Finance Department Payroll Division for processing. Operating Procedure 10.2 Personnel and Payroll should be updated accordingly.
CURRENT OBSERVATION	See notice of change in operations on page 2.
DETERMINED STATUS	**NO LONGER APPLICABLE**

Finding 5 – Payroll departmental operating procedures required updating to ensure FLSA compliance and clear guidance for all personnel.

Recommendation 5.1 **SUMMARY OF ORIGINAL FINDING**	Establish a central recordkeeping location for all payroll related records and identify departmental position(s) responsible to ensure payroll records are complete and archived.
CURRENT OBSERVATION	With the implementation of the Kronos timekeeping system, the department no longer used paper timesheets. If a new employee was not in the Kronos system, a timecard was emailed to the Payroll Office in the Finance Department and maintained in Laserfiche by the Payroll Office.
DETERMINED STATUS	**IMPLEMENTED**

Recommendation 5.2	Review all current written departmental operating procedures related to Personnel and Payroll with the Human Resource Development Department and the City Attorney's Office to ensure compliance with the FLSA.
Recommendation 5.3	Document an approval process for overtime within the departmental operating procedures, to include a consideration for equitable treatment of overtime.
Recommendation 5.4 **SUMMARY OF ORIGINAL FINDING**	Update departmental operating procedures to align with current practices, to include criteria for when overtime is allowed versus earning compensatory time.
CURRENT OBSERVATION	Implementation of the electronic timekeeping system addressed the concerns in the original audit report on accountability for maintaining payroll documentation, supervisory approval and earning overtime versus compensatory time. In addition, the Department removed the wording in the operating procedures that implied employees were only allowed to be paid 8 hours per day or 40 hours per week for training regardless of the number of hours spent in training.
DETERMINED STATUS	**IMPLEMENTED or NO LONGER APPLICABLE**

Finding 6 – Comprehensive training was not provided to personnel involved in the timekeeping and payroll process.

AREA OF RESPONSIBILITY: POLICE DEPARTMENT

Recommendation 6.1a **SUMMARY OF ORIGINAL FINDING**	Management should consider creating and hiring an accounting manager position with the expertise in business processes and internal controls to oversee the Personnel Technician position and assist in developing, implementing, and evaluating the necessary payroll controls to improve efficiency and ensure compliance with applicable guidelines. Although additional personnel are costly, the City could be fined for FLSA violations and due to the Department's payroll expenditures for Fiscal year ending 2019 of $40.1 million, the fines could be costly.
CURRENT OBSERVATION	A Police Administrative Services Manager position was created. However, the position was not used for the recommended purpose. The personnel technician never reported to this position.
DETERMINED STATUS	**NOT IMPLEMENTED**

Recommendation 6.2a SUMMARY OF ORIGINAL FINDING	Management needs to ensure the Personnel Technician and an alternate employee are thoroughly trained and have a clear understanding of all applicable guidelines.
CURRENT OBSERVATION	The Personnel Technician's Supervisor provides backup for payroll related tasks within the Police Department. However, neither have been thoroughly trained on updated procedures.
DETERMINED STATUS	PARTIALLY IMPLEMENTED

AREA OF RESPONSIBILITY: FINANCE DEPARMENT

Recommendation 6.1b	Management should coordinate with the Human Resource Development Department to develop comprehensive timekeeping and payroll training. The training should include applicable FLSA regulations, City policy and procedure manuals, and how to process time and attendance for payroll purposes.
Recommendation 6.2b	Management should ensure all payroll preparer and reviewers take training developed prior to assuming the respective duties and should be required to take a refresher training annually.
Recommendation 6.3 SUMMARY OF ORIGINAL FINDING	Management should coordinate with the Human Resources Development Department to provide the Police Department training on timekeeping and FLSA 207 (k) overtime. Training for new employees should be a part of on-boarding and provided by a qualified employee.
CURRENT OBSERVATION	Prior to the implementation of the electronic timekeeping system, training documents were developed by the Finance Department and provided to the Police Department. In addition, the Information Technology Department provided job aids and videos for all City employees on the electronic timekeeping system. The Finance Department is in the process of developing written training procedures for all payroll tasks. Current training consists of observation, note taking and performance of duties.
DETERMINED STATUS	IMPLEMENTED or NO LONGER APPLICABLE

Recommendation 6.4 SUMMARY OF ORIGINAL FINDING	Management should designate funding for the payroll supervisor to obtain a Payroll Certification and allow the payroll supervisor to obtain this certification.
CURRENT OBSERVATION	Funding was set aside for the Payroll Supervisor to obtain a Payroll Certification in FY22 and FY23 as recommended. However, due to turnover in staffing within the Payroll Office, the certification was not obtained. It is still recommended the payroll supervisor obtain this certification.
DETERMINED STATUS	IMPLEMENTED

Finding 7 – Processing timecards for law enforcement personnel on a 2-week basis would improve efficiency.

Recommendation 7.1 SUMMARY OF ORIGINAL FINDING	The Office of Internal Audit recommends management collaborate with the Finance Department on the current timekeeping and payroll processes to improve the efficiency which should reduce the errors of employee wages and ensure hours worked are accurately and consistently documented in JD Edwards as reflected on timecards. However, time worked for non-exempt/non-sworn personnel should be maintained on weekly timecards and entered on a 1-week basis.
CURRENT OBSERVATION	See notice of change in operations on page 2.
DETERMINED STATUS	NO LONGER APPLICABLE

Finding 8 – There was no assurance exempt personnel were reporting leave time.

Recommendation 8.1 SUMMARY OF ORIGINAL FINDING	The Office of Internal Audit recommends the Police Department, to include E-911, consult with the Human Resources Department on a formal leave request process to ensure leave time is reported. Although an automated time and attendance is being implemented, consequences for non-compliance should be clearly defined in written departmental operating procedures.
CURRENT OBSERVATION	All leave requests should be submitted through the electronic timekeeping system. However, departmental procedures have not been updated to provide guidance on the leave reporting process or the consequences for not reporting leave taken.
DETERMINED STATUS	PARTIALLY IMPLEMENTED

KRONOS IMPLEMENTATION - POLICE (A2022-02)

January 2024

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OUR MISSION

Provide independent, objective assurance and consulting services designed to add value and improve the City of Fayetteville's operations.

Internal Audit Director

Rose Rasmussen, CIA

Senior Internal Auditor

Christina Zimmerman, CFE

Internal Auditor

Kathleen Johnson

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Kronos Implementation-Police

(A2022-02)

Objective

To determine if Payroll processes and associated internal controls were adequate to ensure Police Department personnel were paid accurately.

Background

- The City implemented an electronic timekeeping system, Kronos Workforce Central for the Police Department.

- The implementation of Kronos resulted in the Police Department payroll process moving from a predominantly manual paper process to an electronic, more automated timekeeping system.

- A second update to the digital timekeeping system occurred when Kronos Workforce Dimensions was implemented for all city departments, effective February 13, 2023.

Highlights:

- Implementation of the electronic timekeeping system relieved the Police Department of the cumbersome task of manually processing paper timecards for all department staff.

- Payroll operating procedures were not updated to reflect current processes.

- Supervisors entered leave for employees that did not follow the cascade order required by City policy.

WHY THIS MATTERS

Implementation of new software comes with the risk of negative impacts on City resources and operations if the implementation is executed incorrectly. An analysis of the steps taken during configuration and implementation helps identify any defects that should be addressed to ensure systems are operating as intended.

In addition, payroll is the largest annual expenditure for the Police Department and requires compliance with the Fair Labor Standards Act (FLSA). According to the U.S. Department of Labor, employers who willfully or repeatedly violate the minimum wage or overtime pay requirements are subject to a civil money penalty of up to $1,000 for each such violation.

In Fiscal Year 2023, Police Department payroll expenditures represented 81% ($49.2 million)[1] of total expenditures.

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[1] This number may not reflect total actuals for fiscal year 2023 as the Finance Department was still in the process of closing out the fiscal year when this audit was completed.

Kronos Implementation – Police (A2022-02)

BACKGROUND

According to the Kronos project charter created in 2014, the project vision was to consolidate and automate the process of time collection for all city employees. The project goals were to:

- Eliminate multiple processes for tracking and recording employee time;
- Begin the practice of positive time recording for all city employees; and
- Eliminate the manual processing of employee leave taken.

During fiscal year 2016, Kronos was implemented for all City departments, except for Public Safety Departments. The implementation of Kronos for the Public Safety Departments was set for a separate phase of the project.

The City of Fayetteville Information Technology Department implemented Kronos Workforce Central for the Police Department in 2020. All City departments went live with another version of the electronic timekeeping system, Kronos Workforce Dimensions, effective February 13, 2023. The implementation of Kronos brought about significant change in the payroll process for all City departments. This included moving from a cumbersome paper timekeeping process to an electronic process requiring less manual manipulation.

OBJECTIVE

The objective of the audit was to determine if payroll processes and associated internal controls were adequate to ensure Police Department personnel were paid accurately.

AUDIT SCOPE

The scope of this audit included Police Department payroll records for six regular pay periods and three Fair Labor Standards Act (FLSA) processing periods occurring from January to July 2023. The sample included a mix of 55 exempt, non-exempt, sworn, and non-sworn staff members who were in active regular status prior to January 2, 2023. The audit included a review of the total leave types and hours worked but did not include manual calculation to verify amounts paid to employees.

AUDIT METHODOLGY:

In order to accomplish the objectives of the audit, the Office of Internal Audit performed, but were not limited to, the following:

- Reviewed applicable written policies, procedures and guidelines;
- Reviewed Kronos testing and implementation procedures;
- Interviewed Police, Information Technology and Finance Department personnel involved in the Kronos implementation;
- Compared electronic payroll records in Kronos against information imported into JD Edwards; and
- Considered the risk of fraud, waste, and abuse.

RESULTS:

Finding 1 – Discretionary time off did not always follow the cascade order required by City policy.

Criteria	The City of Fayetteville Employee Relations Policy/Procedure Manual, Section 5.F and the Human Resource Development Benefits Manual Article V Section 1.G required employees to use accrued discretionary time off in the following cascade order: first accrual is any available holiday banked hours, second will be compensatory time and third is vacation.
Condition	Supervisors were not using the 'Time Off' pay code when entering or updating time off on behalf of employees. The 'Time Off' rule was designed to follow the City's mandatory cascade order when using leave time. If a supervisor was selecting any other option when entering time off for an employee, the cascade order was being circumvented.
Cause	Supervisors were not restricted to only using 'Time Off' for leave that should follow the cascade order. In addition, videos and jobs aids for Kronos, and departmental operating procedures did not instruct supervisors to use the 'Time Off' pay code when entering or updating leave for their employees.
Effect	The cascade order was established to reduce the City's liability created from employees banking their holiday and compensatory hours and receiving large unbudgeted payouts when they left employment with the City.
Recommendation	The Police Department management should establish written operating procedures to include: 1. Procedures for the Personnel Technician position to include specific direction on the processing of payroll within the Kronos system. The procedures should contain detailed instructions to enable an alternate employee to perform payroll processes. 2. The proper way for supervisors to enter and update leave in the Kronos system on behalf of the employees to allow the system to apply the correct cascade order.

MANAGEMENT'S RESPONSE
We concur. Management is in full agreement with the recommendation. The recommendations would create a uniform way in which we enter time off that complies with city policy.

Responsible Party: Major Lee Hicks, Chief of Staff

Implementation Date: July 1, 2024

Conclusion:
Internal Audit has concluded work on the Police Kronos Implementation Audit. Based upon test work performed,

Internal Audit concluded employees were paid the correct number of hours worked. However, an opportunity exists within the Police Department for the establishment of standard operating policies and procedures regarding the processing of payroll.

To further support the implementation of this recommendation, a management letter, dated December 18, 2023, was sent to the Finance Department to establish formal written procedures and develop training on the process supervisors must follow for entering and updating leave in Kronos in reference to the cascade rule.

Although the management responses are included in the audit report, Internal Audit does not take responsibility for the sufficiency of these responses or the effective implementation of any corrective actions.

Internal Audit would like to thank Department personnel for their assistance and numerous courtesies extended during the completion of this audit.

SUBRECIPIENT GRANT MONITORING FOLLOW-UP (A2022-04F)

January 2024

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Subrecipient Grant Monitoring (A2022-04)

Original Report Issued: October 2022

Objective: To determine if the City is monitoring subrecipient activities to provide reasonable assurance that subrecipients are in compliance with grantor requirements.

Scope: Six subrecipients awarded CDBG funds during fiscal year 2020 to fiscal year 2022.

Background

- The Department of Housing and Urban Development (HUD) oversees the Community Development Block Grant (CDBG) program.
- The City has flexibility to use these funds within the following objectives:
  o Benefit low and moderate income persons;
  o Prevent or eliminate slum and blight; and
  o Meet urgent needs that threaten health or safety.
- Nonprofit organizations (subrecipients) assist the City in carrying out the selected activities.
- The City must provide reasonable assurance the funds are used in compliance with guidelines.
- The City was awarded CDBG funds totaling $4,763,545 from fiscal year 2020 to fiscal year 2022.

Highlights:

- Statements of work for subrecipient agreements included:
  o Conflicting language; and
  o Administrative and case management costs without defining what these costs should include.
- Agreements did not completely and accurately contain all required provisions and identifying information.
- The Department did not use a risk assessment to determine the frequency or extent of monitoring to conduct for each subrecipient.
- Monitoring was not provided for all subrecipients, and program years sampled.
- Monitoring checklists used for all reviews, both in person and virtual, did not always provide sufficient details to explain the review process or results of the review.
- 18 agreements were fully executed after the effective dates.
  o The time from the effective date and the execution date was between 21 and 212 days, averaging 94 days.
- All payments reviewed were made after the contracts were fully executed.

WHY THIS MATTERS

The City is given a high level of flexibility within the program's objectives to select activities which best meet the needs of the community. To assist in accomplishing the selected activities, the City (grant recipient) contracts with nonprofit organizations (grant subrecipients). When the City passes this funding to the subrecipient, the compliance requirements applicable to the grant program are also passed to the subrecipient. However, the City is responsible to provide reasonable assurance the funds passed to the subrecipient are used and managed in compliance with HUD, State and City requirements. Therefore, the City must establish and conduct a subrecipient monitoring program, since HUD could monitor the City's use of CDBG funds at any time to ensure program effectiveness and determine if programs are carried out in compliance with applicable laws and regulations.

Action Since Original Audit Report

Subrecipient Grant Monitoring Follow-Up (A2022-04F)

The Office of Internal Audit has completed follow-up on the Subrecipient Grant Monitoring Audit approved by the Audit Committee on October 27, 2022.

Objective and Scope
Determine whether management implemented corrective actions to the audit recommendations reported by the Office of Internal Audit.

The scope of the follow-up audit was limited to the findings and accepted recommendations in the original audit of subrecipient grant monitoring. This included observations, and review of documents and electronic files, to include FY2024 subrecipient agreements, departmental policies and procedures, annual risk assessments, monitoring schedules and training documentation.

Background
The original audit report, dated October 2022, had eight agreed upon recommendations. The audit provided management with recommendations to:
- Update the subrecipient agreement templates and clearly define allowable costs in each agreement;
- Use a risk assessment to create a risk-based monitoring schedule, including monitoring frequency and extent;
- Ensure staff were trained on Community Development Block Grant (CDBG) and subrecipient monitoring requirements and expectations; and
- Establish written policies and procedures for subrecipient monitoring.

Summary Results

8 recommendations proposed in October of 2022

Testing included an evaluation of the agreed upon recommendations to determine if corrective actions were implemented as reported. The Department implemented the recommendations by updating the subrecipient agreement template, ensuring risk assessments were completed, creating a subrecipient monitoring schedule, researching CDBG training, creating policies and procedures and training their employees.

To further strengthen controls Internal Audit recommends ECD personnel conduct a documented review of the risk assessments behind the nonprofits for accuracy.

The Office of Internal Audit has concluded the Subrecipient Grant Monitoring follow-up audit and expresses appreciation for the assistance provided by Department staff.

| FULLY IMPLEMENTED | 8 | PARTIALLY IMPLEMENTED | 0 | NOT IMPLEMENTED | 0 |

Finding 1 - Agreement language was not clear and complete.

Recommendation 1.1 SUMMARY OF ORIGINAL FINDING	With guidance from the City Attorney's Office, update the agreement templates with the required provisions and identifying subaward information to comply with all federal, state and city requirements.
CURRENT OBSERVATION	The FY23-24 agreement template was updated to include required provisions.
DETERMINED STATUS	**IMPLEMENTED**

Recommendation 1.2 SUMMARY OF ORIGINAL FINDING	Annually review changes to the federal regulations and update the agreement templates accordingly.
CURRENT OBSERVATION	Agreement templates were updated to include the required provisions. Current City Policies and Procedures Manual for the CDBG, Home, & HOPWA Programs designate the Business Manager as the responsible party for ensuring agreement templates are updated annually after consultation with the HUD exchange and the City Attorney's Office.
DETERMINED STATUS	**IMPLEMENTED**

Recommendation 1.3 SUMMARY OF ORIGINAL FINDING	Clearly define allowable costs in each agreement's statement of work.
CURRENT OBSERVATION	Allowable costs for the agreements reviewed were clearly defined.
DETERMINED STATUS	**IMPLEMENTED**

Finding 2 – Subrecipient monitoring did not consistently follow federal requirements.

Recommendation 2.1 SUMMARY OF ORIGINAL FINDING	Use the risk assessment to create a risk-based monitoring schedule for each program year. For each subrecipient, the schedule should include, but not be limited to: • The frequency of monitoring; and • The extent of the monitoring to include if it will be on-site or virtual.
CURRENT OBSERVATION	A risk assessment was used to determine the risk level for the subrecipients reviewed. This risk level was incorporated in a monitoring schedule created by the Department which included the frequency and extent of monitoring the subrecipients.
DETERMINED STATUS	**IMPLEMENTED**

Recommendation 2.2	Create and implement written procedures on subrecipient monitoring to include, but not limited to:
	• Documentation requirements;
	• Determining if costs were an eligible use of funds and in accordance with contract terms;
	• Checking for suspension and debarment of subrecipients and contractors of the subrecipients;
SUMMARY OF ORIGINAL FINDING	• Determining if conflict of interests existed with contractors of the subrecipients, and
	• Conducting an inventory of property purchased using grant funds.
CURRENT OBSERVATION	The Department developed the City Policies and Procedures Manual for the CDBG, HOME, & HOPWA Programs for monitoring subrecipients.
DETERMINED STATUS	**IMPLEMENTED**

Recommendation 2.3	Research available training on use and monitoring of CDBG funds and have staff attend these trainings.
SUMMARY OF ORIGINAL FINDING	
CURRENT OBSERVATION	Training is available through the HUD Exchange which offers "*Basically CDBG Online.*" ECD staff stated that this training is mandatory for all Department staff and provided an example of the confirmation received by an employee upon its completion. The primary objective of the Basically CDBG Online curriculum is to help CDBG grantees and subrecipients understand and comply with CDBG regulations and requirements.
DETERMINED STATUS	**IMPLEMENTED**

Recommendation 2.4	Train employees on the monitoring expectations to include, but not limited to:
	• Providing the details necessary to show and/or explain what, when, and how each review area was assessed for compliance; and
SUMMARY OF ORIGINAL FINDING	• Saving all monitoring documentation in a way that is accessible to all department staff.
CURRENT OBSERVATION	Department management stated that all documentation is stored on the ECD shared drive which is accessible by all department staff and provided documentation showing that staff were trained on the updated ECD policies and procedures.
DETERMINED STATUS	**IMPLEMENTED**

Finding 3 – Subrecipient agreements were executed after the effective date.

Recommendation 3.1	The Economic & Community Development Department management should establish written procedures to have agreements ready to be fully executed once funds are appropriated by City Council.
SUMMARY OF ORIGINAL FINDING	
CURRENT OBSERVATION	The departmental policies and procedures manual included guidance to make efforts to prepare agreements prior to the beginning of the program year for execution after the start of the program year, July 1.
DETERMINED STATUS	**IMPLEMENTED**