



**Follow-Up Audit
Human Resources Payroll
No. A2013-05**

Issued by the
Internal Audit Office
April 8, 2013

**City of El Paso
Internal Audit Office
Human Resources Payroll Follow-Up Audit No. A2013-05**

EXECUTIVE SUMMARY

The Internal Audit Office conducted a Follow-Up Audit on the Human Resources Payroll Audit Report dated February 23, 2011. The original Audit Report contained five findings. Upon completion of the audit fieldwork, we have determined the status of the recommendation for each audit finding as outlined in the table below:

Finding No.	Description of Findings	Status
1	<p>Of the 20 Policies and Procedures supplied by HR Management for review:</p> <ul style="list-style-type: none"> • Four out of 20 (20%) could not be located on the department's Personnel drive (P-Drive). • 12 out of 20 (60%) have a different version or format located in a folder on the P-Drive. • 20 out of 20 (100%) do not exhibit a revision date making it difficult to identify the most current version. • 13 out of 20 (65%) could not be located by number or effective date in the "Employee Name" folder. (The folder for all finalized procedures per the employee.) 	In Progress
2	<p>Based on the review of AWP schedules, the AWP process is a manual process:</p> <ul style="list-style-type: none"> • There is no initial review process for AWP files or the AWP required calculations. • The AWP Procedure does not provide adequate guidance for the required calculations. • 73% of approved AWP requests are listed on the AWP schedules because the employee owes the City of El Paso money as a result of overpayments while on AWP. 	In Progress
3	KRONOS is not being used to monitor and manage Family and Medical Leave Act (FMLA) requests.	In Progress
4	The Staffing Table Change (STC) Request Form is a paper document that during the process physically changes hands five times in the Office of Management and Budget and three times in Human Resources Information Systems.	In Progress
5	<p>A survey of HR Payroll and HRIS personnel was taken. 12 of 12 (100%) surveys distributed were completed and returned. The results are as follows:</p> <ul style="list-style-type: none"> • 8 of 12 (66.67%) respondents state they have not had any formal (vendor) training in PeopleSoft HR or KRONOS in the last 5 years. • 4 of 12 (33.33%) respondents state they have not had any informal (interdepartmental) training in PeopleSoft HR or KRONOS in the last 5 years. 	In Progress

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	<ul style="list-style-type: none">• 11 of 12 (91.67%) respondents state they feel that additional training in PeopleSoft HR and/or KRONOS would help them perform their duties more effectively and efficiently.• 4 of 12 (33.33%) respondents stated they did not have access to PeopleSoft and/or KRONOS user manuals or reference materials within their department.	
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For a detailed explanation of the findings and current observations please refer to the appropriate finding contained in the body of this Audit Report.

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BACKGROUND

On February 23, 2011, the Internal Audit Office issued the Human Resources Payroll Audit Report. The *Generally Accepted Government Auditing Standards* (Standards 4.05 & 6.36) and the *International Standards for the Professional Practice of Internal Auditing* (Standard 2500.A1) requires a post audit follow-up on all audit recommendations.

AUDIT OBJECTIVES

The audit objective was to ensure that corrective action was taken by management to address the recommendations detailed in the original Audit Report dated February 23, 2011.

AUDIT SCOPE

The Follow-Up Audit was limited to a review of the five findings and recommendations detailed in the “*Human Resources Payroll Audit*” dated February 23, 2011 and the period covered included FY 2012-2013.

AUDIT METHODOLOGY

To achieve our audit objectives we:

- Interviewed the appropriate staff to obtain status on the development of the following items:
 - The updating of HR’s Policies and Procedures Manuals.
 - A software solution to automate AWP calculations and eliminate manual processes.
 - Training for payroll personnel to be proficient with the operations of the KRONOS FMLA module.
 - Assessment of a software solution to process Staffing Table Changes through PeopleSoft HR.
- Prepared and disseminated a training survey to determine if employees are obtaining training in PeopleSoft HR and KRONOS.

We conducted this Follow-Up 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.

This Follow-Up Audit was also conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

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ORIGINAL FINDINGS, ORIGINAL RECOMMENDATIONS, MANAGEMENT’S RESPONSE TO ORIGINAL FINDINGS, CURRENT OBSERVATION, AND STATUS

Based on the results of follow-up test work, each original finding recommendation will be designated with one of the following four status categories:

<i>Implemented</i>	The finding has been addressed by implementing the original corrective action or an alternative corrective action.
<i>In Progress</i>	The corrective action has been initiated but is not complete.
<i>Not Applicable</i>	The recommendation is no longer applicable due to changes in procedures or changes in technology.
<i>Not Implemented</i>	The recommendation was ignored, there were changes in staffing levels, or management has decided to assume the risk.

Original Finding 1

Policies and Procedures

A review of 20 Human Resources Payroll Division’s Policies and Procedures identified that up to date and user friendly Policies and Procedures Manuals are not being maintained.

Finalized policies and procedures are located in an electronic folder titled “Employee Name” on the P-Drive.

Of the 20 Policies and Procedures supplied by HR Management for review:

- Four out of 20 (20%) could not be located on the department’s Personnel drive (P-Drive).
- 12 out of 20 (60%) have a different version or format located in a folder on the P-Drive.
- 20 out of 20 (100%) do not exhibit a revision date making it difficult to identify the most current version.
- 13 out of 20 (65%) could not be located by number or effective date in the “Employee Name” folder. (The folder for all finalized procedures per the employee.)

Recommendation:

Management should ensure that the most up to date Policies and Procedures are on the P-Drive and on the Department’s website where applicable.

Management’s Response

HR Payroll will consolidate all the updated Policies and Procedures in one file in the P-Drive. HR Payroll will review existing policies and procedures, update where needed, and date the latest version of each policy and procedure. Old files with various policies and procedures will be deleted or stored in a different fashion for historical purposes. Updated policies and procedures will also be available through the City’s website.

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Management's Response (cont.)

Responsible Party

Carlton Myers, Human Resources Manager

Implementation Date

Currently in progress. Completion date - August 1, 2011

Current Observation

- The Human Resources (HR) Payroll Division's Policies and Procedures have not been updated and consolidated.
- However, a plan is in place to update and consolidate HR's policies and procedures along with the implementation of a new module in PeopleSoft HR called User Productivity Kit (UPK). UPK is a module that will allow users to view step-by-step procedures on how to run various HR functions in PeopleSoft HR. The HR Department will incorporate their policies and procedures into the UPK module and eliminate procedure manuals located in the department's P-Drive and the 3-ring binder. During this process, policies and procedures will be reviewed and revised to ensure they are up-to-date.

Status

In Progress.

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Original Finding 2

AWP Process

The AWP process needs to provide accurate and consistent calculations and mitigate as many manual operations as possible to attain the correct supplemental payment.

- Based on the review of AWP schedules, the AWP process is a manual process:
 - A paper file is prepared containing copies of all forms and of all workers' compensation payments made to the employee.
 - All payroll calculations prior to entering the information into PeopleSoft HR are manually computed and hand written onto the forms and records.
 - The employee's federal withholding tax is manually looked up in the IRS Publication 15 (Circular E).
 - The AWP listings are manually updated every pay period and then they are manually transferred to the master listing on a password protected 3.5 floppy diskette.
 - The Pre-Injury Net Pay pre-printed form is used to manually calculate FICA and Medicare withholding, and appear to be done incorrectly.
- Based on the review of Procedures:
 - There is no initial review process for AWP files or the AWP required calculations.
 - The AWP Procedure does not provide adequate guidance for the required calculation of payroll taxes for Pre Injury Net Pay.
 - Nor does it provide clear differences between uniformed and non-uniformed employees.
- A review of 253 approved AWP requests as of 1/15/2011 identified 185 (73%) overpayments to employees of the City of El Paso.
 - Of the 185 overpayments 111 (60%) are uniformed employees.

Recommendation:

Management should utilize a software solution that will automate calculations and eliminate as many of the manual processes as possible.

Management's Response

The staff time dedicated to the calculation of Accident With Pay (AWP) supplemental pay increased with the 2000 implementation of PeopleSoft. The gross up calculation application required for this type of calculation was not purchased at that time. This was verified during the 2009 Oracle Fit-Gap interviews.

All six HR Payroll staff members are involved in calculating AWP supplemental pay for affected City employees from different departments. It takes 86 staff hours/week for an annual cost of \$81,880.24 in staff time. The total paid in AWP in FY10 was \$411,802.00. This does not include the cost to the City to pay the employee and employer portion of the pension amounts required under the City's Pension Ordinance and employee and employer portions of FICA and Medicare taxes as part of the supplement.

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Management's Response (cont.)

HR Payroll management will look at the following options for AWP:

1. Eliminate the AWP supplement for all employees. This is Human Resources' recommended action. This would require a repeal of Section 4.4, Accident with Pay Leave, of Ordinance 8064. It would also require eliminating the AWP leave from the police and fire collective bargaining agreements as well as amending the City's Pension Ordinance. Payroll staff can be utilized to enhance other essential and necessary payroll functions.
2. Work with IT staff to develop a software solution that will insure the integrity of the data and will minimize manual calculations and entries. This option will be addressed immediately and also during the PeopleSoft fit-gap analysis. A review of how the supplement is calculated will also take place during April 2011 to determine if the calculations adhere to Ordinance 8064.
3. Limit AWP leave for employees covered under collective bargaining contracts to 30 days AWP leave status similar to that available to non-collective bargaining employees and continue providing the benefit.
4. Analyze the cost of purchasing a fully insured disability policy for job-related injuries that would provide proportionate short-term disability payments.

Responsible Party

Irene Y. Morales, Risk Manager

Implementation Date

July, 2011

Current Observation

A software solution to automate AWP calculations and eliminate manual processes has not yet been identified. Four attempts have been made by the Human Resources Department to address this issue.

- An attempt was made to eliminate AWP through collective bargaining, but it was not successful.
- The Information Technology Department and CherryRoads Technologies assisted in creating a program in PeopleSoft to help with the AWP function. The program was unsuccessful due to the complexity involved with the AWP process.
- An analysis was done to explore the possibility of outsourcing the AWP function. It was concluded that outsourcing was not a cost-effective option.
- Ordinance 8064 – Section 4.4 and the AWP process will be reviewed to identify ways to simplify the handling of AWP.

Status

In Progress - The Human Resources Department will continue to search for a solution to simplify the AWP function and eliminate the manual processes.

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Original Finding 3

FMLA Process

Employees are required to submit specified documentation in order to qualify for leave under FMLA. The Human Resources Department processes the documents and approves or denies the employee's request. The Human Resources Department uses KRONOS to monitor and manage vacation, sick leave, jury duty, conferences, funeral leave etc.

KRONOS is not being used to monitor and manage FMLA requests. Currently an HR Analyst is manually tracking FMLA cases on an Excel spreadsheet.

Recommendation:

Schedule and conduct the training necessary for the payroll personnel to be proficient with the operations of the KRONOS FMLA module.

Management's Response

In December of 2010, a study was conducted by HR Payroll staff in order to determine whether the City of El Paso should utilize the PeopleSoft or KRONOS Systems for tracking and maintaining FMLA eligibility, balances, and usage.

The study concluded that we continue to utilize the KRONOS system due to the fact that the payroll clerks currently have access to KRONOS and are familiar with that system. They do not have access to PeopleSoft which would require significantly more training as well as authorization issues.

As HR continues to investigate decentralization, the department personnel will take on additional responsibility in handling the FMLA process. The FMLA process will be included in the upcoming PeopleSoft fit-gap analysis to determine if the City will continue to use KRONOS. Instituting changes in business practices will also be considered.

Decision on whether we will continue with KRONOS should be completed by July 2011. If decision is made to keep KRONOS, HR will complete training of department personnel by August 31, 2011. If the decision is made to eliminate KRONOS and transfer to PeopleSoft, HR will review the available FMLA module and determine what business practices need to be changed by using in PeopleSoft. Customization of either module will be kept to a minimum. HR estimates that any customization and training of all departments should be completed by November, 2011.

Responsible Party

Mary Michel, Senior Human Resources Analyst

Implementation Date

November 2011

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Current Observation

The Human Resources Department is in the process of shifting the responsibilities of monitoring and managing Family and Medical Leave Act (FMLA) duties to the HR Managers located at the various City departments. During this transition, HR Managers will be trained to use the KRONOS FMLA module.

Status

In Progress - this finding should be implemented by August 31, 2013 according to the Deputy Director of Human Resources.

Original Finding 4

Staffing Table Changes

The Staffing Table Change (STC) Request Form is a paper document used by Department Heads to secure authorization to either add or delete positions from their current authorized staffing levels.

A review of the STC process identified that

- During the process the STC document physically changes hands 5 times in the Office of Management and Budget and three times in Human Resources Information Systems.
- Thus making it difficult to determine the status of the Staffing Table Change request.

Recommendation:

Conduct an assessment to seek a software solution through PeopleSoft HR.

Management's Response

HR Payroll Staff and OMB Staff have revised the STC form. The revised form is currently being utilized Citywide. It is located on the Citywide public drive under payroll forms. OMB staff has received various recommendations for changes from the departments and, with input from HR Payroll staff, have incorporated the changes in the new form.

HR Payroll and OMB staff members will work with IT staff to determine a workflow solution through PeopleSoft keeping the upcoming implementation in mind. HR Payroll and OMB staff will continue to work on a policy and procedure to accompany this form/workflow. Once completed, all information will be posted on the public drive and the website. HR staff and OMB staff will conduct joint training sessions of department budget and payroll staffs and HR Department Managers on how and when to utilize the staffing table change.

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Management's Response (cont.)

Responsible Party

Irene Morales, Risk Manager

Implementation Date

September 1, 2011

Current Observation

The Human Resources Department has not found a software solution to process STC through PeopleSoft HR. Additionally, there is confusion between the HR Department and the Office of Management & Budget on the process to be used when processing STC and who should be included in the workflow process.

Status

In Progress – The Human Resources Department will continue looking for a software solution to process STC and formulate a workflow process for processing STC. This finding should be implemented by August 31, 2013 according to the Deputy Director of Human Resources.

Original Finding 5

Training in PeopleSoft HR and KRONOS

Training Program's objectives are to maintain a professional and competent trained staff that can perform their duties efficiently and effectively.

The HR Payroll and HRIS Divisions do not have an adequate number of functional experts in PeopleSoft HR and KRONOS. Only one HR Manager and one HR Senior Analyst within these divisions is considered a functional expert in PeopleSoft HR and KRONOS.

- A survey of HR Payroll and HRIS personnel was taken. 12 of 12 (100%) surveys distributed were completed and returned. The results are as follows:
 - 8 of 12 (66.67%) respondents state they have not had any formal (vendor) training in PeopleSoft HR or KRONOS in the last 5 years.
 - 4 of 12 (33.33%) respondents state they have not had any informal (interdepartmental) training in PeopleSoft HR or KRONOS in the last 5 years.
 - 11 of 12 (91.67%) respondents state they feel that additional training in PeopleSoft HR and/or KRONOS would help them perform their duties more effectively and efficiently.
 - 4 of 12 (33.33%) respondents stated they did not have access to PeopleSoft and/or KRONOS user manuals or reference materials within their department.

* Training records were not reviewed. The results are based on information provided by the surveys only.

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Recommendation:

Management should establish a training program for HR Payroll and HRIS personnel that would help ensure professional training in PeopleSoft HR and KRONOS.

Management's Response

HR Payroll and HRIS will begin hands-on training for staff the week of April 4, 2011. HR Payroll and HRIS supervisors and staff will dedicate a two hours per week in training. The purpose of this training is (1) to introduce PeopleBooks to the staff so they can use this as a resource for problem solving, (2) to have the HR users understand how the modules they deal with affect other PeopleSoft modules and (3) serve as a basis for training other City department personnel as HR continues to decentralize certain functions. Participants will be asked to bring work-related issues that will be used in the training. KRONOS training will also be conducted simultaneously so participants can have an understanding of the interaction between both systems. Staff will participate in the upcoming PeopleSoft fit-gap analysis. Also participating in this weekly training will be representatives from Risk Management, IT and Financial Services. Additional functional experts within the department will be identified during this training as well. HR payroll staff will consider changes in business processes identified and needed. Training records will be maintained.

The need for training funds for off-site training by vendors will be determined as the PeopleSoft implementation process continues and will be addressed, if needed, during the budget process.

Responsible Party

Norma Chavez, Human Resources Analyst

Implementation Date

Week of April 4, 2011 and will be continuous through the PeopleSoft implementation.

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Current Observation

A survey distributed to the Human Resources Payroll and the Human Resources Information System personnel identified the following regarding professional training in PeopleSoft HR and KRONOS:

Item Reviewed	Original Audit - Survey Results	Current Observation - Survey Results	% Difference
Respondents stating no formal training has been provided in PeopleSoft HR and KRONOS in the past 2 years.	8 out of 12 (66%)	6 out of 12 (50%)	16% Improvement
Respondents stating no informal/onsite training has been provided in PeopleSoft HR and KRONOS in the past 2 years.	4 out of 12 (33%)	3 out of 12 (25%)	8% Improvement
Respondents that feel additional training in PeopleSoft HR and KRONOS will help them perform their duties more effectively and efficiently.	11 out of 12 (91%)	9 out of 12 (75%)	16% Improvement
Respondents stating that they do not have access to PeopleSoft HR and/or KRONOS user manuals or reference materials.	4 out of 12 (33%)	3 out of 12 (25%)	8% Improvement

Status

In Progress - Even though survey results indicate improvement, we have concluded that sufficient progress has not been made by the Human Resources Department in providing professional training to their employees in the areas of PeopleSoft HR and KRONOS.

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INHERENT LIMITATIONS

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that procedures may become inadequate due to changes in conditions, or that the degree of compliance with the procedures may deteriorate.

CONCLUSION

We have concluded our audit work on the objectives of the Follow-Up Audit – Human Resources Payroll. In accordance with *Generally Accepted Government Auditing Standards* we are required to conclude on whether the Human Resources Department met the objectives of this audit. The following is our conclusion.

The Human Resources Department did not meet the objectives in the following areas:

- Updating and consolidating the Human Resources Payroll Division’s Policies and Procedures Manuals.
- Identifying a software solution that would automate AWP calculations and eliminate as many of the AWP manual processes as possible.
- Training payroll personnel to be proficient with the operations of the KRONOS FMLA module.
- Identifying a software solution to process Staffing Table Changes through PeopleSoft HR.
- Training for HR Payroll and HRIS personnel in the use of PeopleSoft HR and KRONOS.

During the course of HR’s attempt to address the audit recommendations, unforeseen events interfered with the implementation of the audit recommendations. These events include the reimplementing of PeopleSoft and the physical relocation of the Human Resources Department to a new building. The Human Resource Department has committed to continue working diligently in the implementation of the audit recommendations. A 2nd Follow-Up Audit will be conducted in the future to ensure that management has properly addressed the audit’s recommendations.

We wish to thank the Human Resources Management and Staff for their assistance and courtesies extended during the completion of this Follow-Up Audit.

Signature on File

Edmundo S. Calderón, CIA, CGAP, CRMA, MBA
Chief Internal Auditor

Signature on File

Miguel A. Ortega
Auditor

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