



CITY OF RICHMOND
CITY AUDITOR

DATE: April 23, 2021

TO: Lincoln Saunders
Acting Chief Administrative Officer

FROM: Louis Lassiter *LL*
City Auditor

SUBJECT: Citywide - Continuous Auditing

The City Auditor's Office has completed the Citywide - Continuous Auditing audit and the final report is attached.

We would like to thank the Administration staff for their cooperation and assistance during this audit.

Attachment

cc: The Richmond Audit Committee
The Richmond City Council
Mona Adkins-Easley, Interim Director of Human Resources
Sheila White, Interim Director of Finance

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City of
RICHMOND
Office of the City Auditor

Audit Report# 2021-13
Citywide - Continuous Auditing
April 23, 2021



Audit Report Staff

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Highlights

Audit Report to the Audit Committee, City Council, and the Administration

Why We Did This Audit

The Office of the City Auditor conducted this audit as part of the FY21 audit plan approved by the Audit Committee. The main objective for this audit was to compile and produce an annual report of the following activities and test for exceptions.

- Leave in excess of limits – Floating Holiday, Holidays, FMLA;
- Employee/Vendor matching - Conflict of Interest;
- Overtime Earners greater than 1,040 hours per calendar year;
- Separated Employees paid for more than two weeks after their separation dates;
- Separated Employees with Computer System Access; and
- Duplicate Payments;

What We Recommend:

Director of Human Resources:

- Establish a standardized communication process to notify all department representatives (supervisors, timekeepers, automation coordinators) to timely process employee separations.
- Work with the respective departments to recover the overpaid funds as cost beneficial and as advised by the City Attorney's Office except for the immaterial amounts.
- Implement automated system controls to limit the number of floating holiday and FMLA hours as a part of the RAPIDS system upgrade by element type.

Directors of Public Utilities and Public Works:

- Recover identified duplicate payments from the vendors by either receiving a refund of the overpayment or a credit on future invoices.



Continuous Auditing

Background

Continuous Auditing as defined by the Institute of Internal Auditors (IIA) is “the combination of technology enabled ongoing risk and control assessments. Continuous auditing is designed to enable the internal auditors to report on subject matter within a much shorter timeframe than under the traditional retrospective approach.”

Commendations

Employee/Vendor Matching Analysis

A total of 48,190 vendor payments for FY2020 were compared to employee information to identify potential conflicts of interest. Nine City vendors’ payments matched City employees’ records. We reviewed all invoices paid to these employees, and did not identify any conflicts of interest.

Top Vendor Analysis

The auditors extracted and analyzed payments to the top 25 paid vendors in the City for FY2020. Distributions to the top vendors totaled \$1,322,752,639. We reviewed the top five highest dollar invoices for vendors with active contracts and concluded that payments were reasonable for the sampled items based on the contract and invoice descriptions.

Needs Improvement

Finding #1 – Earnings Beyond Separation

A total of 47 employees in 12 departments were identified with earnings beyond 14 days of the separation date. Of the 47, nine employees were determined to have earnings improperly paid beyond separation totaling **\$13,936**.

Finding #2 – Separated Employee Active Directory Accounts

A total of 67 separated employees in CY2020 were identified with an enabled computer access active directory user account. Of the separated employees, 14 were identified with a System Access Privilege Request (SAPR) to remove access and 53 did not have one.

Finding #3 – Floating Holiday Hours over Threshold

A total of 41 employees were identified where employees took multiple floating holidays, hours exceeded eight hours, or were not eligible based on their hire date. The total identified wages for the overages in floating holiday earnings were **\$11,066**.

Finding #4 – FMLA Hours over Threshold

A total of eight employees were identified with FMLA Paid Leave exceeding the City thresholds. A total of 122.5 hours totaling **\$2,915** in wages were over the thresholds.

Finding #5– Holiday Hours over Threshold

A total of 37 employees were identified with holiday hours exceeding the allotted hours for CY2020. Improper keying and approval of additional holiday hours resulted in employees showing higher balances resulting in **\$1,880** of additional holiday pay. The remaining 30 employees were entered incorrectly.

Finding #6– CY2020 Overtime Hours

A total of 23 employees in six departments earned overtime in excess of 1,040 hours for CY2020. Of these employees, 13 had more than 1,040 overtime hours in CY2019.

Finding #7– Duplicate Payments

A total of 23 Invoices were identified as duplicate payments totaling \$135,330 for FY2020. Of these seven invoices totaling **\$12,842** had not been recovered prior to the audit and 16 totaling \$122,488 had already been recovered.

Management concurred with 5 of 5 recommendations. We appreciate the cooperation received from management and staff while conducting this audit.

BACKGROUND, OBJECTIVES, SCOPE, METHODOLOGY, MANAGEMENT RESPONSIBILITY and INTERNAL CONTROLS

This audit was conducted in accordance with the Generally Accepted Government Auditing Standards promulgated by the Comptroller General of the United States. 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 the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

BACKGROUND

Continuous Auditing as defined by the Institute of Internal Auditors (IIA) is “the combination of technology enabled ongoing risk and control assessments. Continuous auditing is designed to enable the internal auditors to report on subject matter within a much shorter timeframe than under the traditional retrospective approach.”

Payments to City Employees

The City pays employees on a bi-weekly basis. At the end of the payroll cycle, each department is responsible for ensuring that employee time is entered and approved. The Payroll Division processes a payroll run prior to the final payroll validation, allowing departments to review and process corrections. Payroll earnings for CY2020 were as follows:

Payroll Element ¹	CY2020 Total Dollars Paid
Total City Payroll All Departments	\$264,288,158
Overtime	\$ 22,226,140
Holiday	\$ 10,235,468
Floating Holiday	\$ 629,787
FMLA Paid Leave	\$ 1,657,771
Vacation	\$ 10,889,119

Auditor Prepared Table

¹ The totals only represent payroll elements for objectives analyzed in this audit.

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During CY2020, the following table shows the total number of newly hired City employees and separations from City service:

Employee Type	Count
New Hires	465
Separations	595

Auditor Prepared Table

Overtime

The Fair Labor Standards Act states nonexempt employees must be paid overtime at a rate of time and a half when they work in excess of typically 40 hours or more depending on the type of employment. Law enforcement and fire protection employees are subject to different standards. The City of Richmond does not have a citywide policy to limit overtime hours. City departments have different processes for approving overtime.

As identified in prior City audits, employees earn significant amounts of overtime in many City departments. The below table represents total overtime hours and dollars paid in each City department during CY2020:

Department Name	Total Overtime Hours	Total Overtime Dollars
Animal Care and Control	3,230.00	\$93,614.41
Budget	67.50	\$2,256.28
CAO's Office	9.50	\$309.97
Citizen Service & Response	433.50	\$12,843.74
City Attorney	4.25	\$102.35
City Library	52.00	\$1,377.94
Commonwealth Attorney	34.00	\$1,231.31
Community Wealth Building	4.00	\$146.48
Court Services Unit	6.00	\$207.86
Emergency Communications	22,710.15	\$736,922.70
Finance	762.26	\$23,525.14
Fire & Emergency Services	134,429.02	\$4,460,174.00
Housing & Community Development	9.00	\$302.61
Human Resources	17.75	\$735.56
Information Technology	305.25	\$11,402.52
Justice Services	987.49	\$31,130.00
Mayor's Office	194.00	\$6,137.49
Parks & Recreation	12,584.67	\$332,619.67

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Planning & Development Review	1,100.25	\$36,791.16
Police	209,251.15	\$9,346,130.14
Press Secretary	160.25	\$5,671.02
Procurement	26.75	\$841.15
Public Utilities	76,514.05	\$2,616,186.61
Public Works	49,661.60	\$1,421,329.71
Registrar's Office	6,106.31	\$161,310.97
Sheriff's Office	86,480.00	\$2,673,979.41
Social Services	7,721.50	\$248,860.07
Grand Total	612,862.20	\$22,226,140.27

Auditor Prepared Table

Holiday/Floating Holiday

Administrative Regulation 5.2 outlines the designated number of holidays each year. A floating holiday is granted each calendar year to City employees who start on or before May 1st. A total of 124 holiday hours were granted and paid to non-public safety City employees during CY2020.

FMLA Paid Leave

According to the United States Department of Labor, FMLA “is a federal law that provides eligible employees of covered employers with unpaid, job protected leave for specified family and medical reasons.” During a given 12-month period, eligible employees may take up to 12 weeks of unpaid leave for the following events:

- Birth or placement of a child (including adoption, foster, and bonding time);
- Care of an immediate family member with a qualifying serious health condition;
- Serious health condition of the employee (including pregnancy or COVID); and
- Qualifying needs of immediate family members for military and active duty members.

During CY2020, 445 City employees recorded time to one of the FMLA earnings elements with approximately 62,000 hours totaling \$1,657,771 dollars.

Employee Separation – Active Directory

Department Automation Coordinators submit a System Access Privilege Request (SAPR) through BonitaSoft to separate employees within their departments from the City’s Active Directory and other City systems. The City’s Active Directory is an employee account in the City’s employee

database that allows them to access the City's network, email, and other City systems in order to perform their duties. Separated employees should not have continued access to the City's systems nor have earnings processed for them beyond their last day of service.

Payments to City Vendors

Duplicate Payments

The City implemented an Optical Character Recognition (OCR) invoice scanning system (OnBase) in FY2019, which synchronizes with RAPIDS to upload invoices once matched with receipts to process payments. The OCR identifies vendor, invoice number, purchase order number, and amount and matches to the City's financial system. Departments are responsible to manage their invoices for processing. Once department representatives key receipts in OnBase, the invoice is processed and loaded into RAPIDS for processing. The RAPIDS system has built-in controls to detect and prevent payment of duplicate invoice numbers to the same vendor. Factors outside of the system that contribute to the risk of duplicate payments are as follows:

- Duplicate vendors setup in the system;
- Inconsistent manually assigned invoice numbers;
- Lack of invoice date and/or number on invoice;
- Multiple purchase orders/receipts; and
- Same invoice numbers paid by different departments.

During FY2020, approximately 81,000 vendor invoices totaling over \$1.6 billion dollars were processed.

SCOPE

The data analysis scripts were broken into two separate scope periods as follows:

Calendar Year Analysis:

- Leave in excess of limits – Floating Holiday Hours, Holiday Hours, FMLA Leave
- Overtime Earners greater than 1,040 hours per calendar year
- Separated employees paid more than two weeks after their separation dates
- Separated employees with Active Directory System Access

Fiscal Year Analysis:

- Duplicate Payments
- Employee/Vendor Matching – Conflicts of Interest

METHODOLOGY

The auditors performed the following procedures to complete this audit:

- Analyzed payroll and vendor payments;
- Compared analysis results to source documents;
- Inquired with City departments on analysis results; and
- Performed other tests, as deemed necessary.

MANAGEMENT RESPONSIBILITY

City of Richmond management is responsible for ensuring resources are managed properly and used in compliance with laws and regulations; programs are achieving their objectives; and services are being provided efficiently, effectively, and economically.

INTERNAL CONTROLS

According to the Government Auditing Standards, internal control, in the broadest sense, encompasses the agency's plan, policies, procedures, methods, and processes adopted by management to meet its mission, goals, and objectives. Internal control includes the processes for planning, organizing, directing, and controlling program operations. It also includes systems for measuring, reporting, and monitoring program performance. An effective control structure is one that provides reasonable assurance regarding:

- Efficiency and effectiveness of operations;
- Accurate financial reporting; and
- Compliance with laws and regulations.

Based on the audit test work, the auditors concluded the internal controls related to the Continuous Auditing objectives need improvement.

FINDINGS and RECOMMENDATIONS

What Works Well

Employee/Vendor Matching Analysis

Condition:

A total of 48,190 vendor payments for FY2020 were compared to employee data file information to identify potential conflicts of interest. Nine City vendors matched City employees' information. Based on a review of all invoices paid to these employees, no conflicts of interest were identified. Payments to the employees were for expense reimbursements, travel advances/settlements, and social services related payments.

Criteria:

The Department of Procurement Services' (DPS) Purchasing Policy #23 Conflict of Interest outlines the City's Policy related to procurement transactions. DPS's Policy is consistent with City Code and Code of Virginia related to Conflict of Interest. The purpose of the Policy is to serve as a guide to using departments on managing and avoiding conflicts as the "expenditure of public funds require the highest degree of public trust and impeccable standard of conduct." In the Policy, family interests such as services purchased from a relative or their business is identified as a common conflict."

Cause:

Procurement regulations are in place in the Department of Procurement Services. They have also implemented a training program to educate City employees on Conflicts of Interest.

Effect:

Based on the analysis completed of the vendor file to the employee data file, we did not identify any conflicts of interest for this testing period. Unidentified conflicts may still exist but were not detected.

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Top Vendor Analysis

Condition:

The auditors extracted from RAPIDS the FY2020 top 25 paid vendors in the City with a total distribution amount of **\$1,322,752,639**. The auditors reviewed each of the vendors and determined the following:

- 10 of the top 25 vendors had active contracts with the City.
- 15 vendors had payments for various transfers, non-departmental, debt service, payroll related, healthcare and payments on behalf of Richmond Public Schools.

The payments of the 10 vendors with active contracts ranged from **\$8,034,364 to \$58,744,077** as noted below:

Vendor Name	Total Payments	Does vendor have a contract in RAPIDS (Yes/No)	Contract Description
BP Energy Company	\$ 58,744,077	Yes	Sale and Purchase of Natural Gas
Howard Shockey & Sons Inc.	\$ 44,598,313	Yes	Construction Management Middle School
Branch Builds, Inc.	\$ 25,972,138	Yes	Construction Services George Mason Elementary
S.B. Ballard Construction Company	\$ 25,451,401	Yes	Construction Contracting Service for ESH Greene Elementary School
HMI Utilities, LLC	\$ 12,800,084	Yes	Annual Gas Renewal Services, Water/Gas repairs, Gas renewal, New water facilities, Construction repair leaks
J R Pierce Inc.	\$ 10,485,457	Yes	Permanent Restoration of Utility Cuts
PMA Management Corp.	\$ 9,420,408	Yes	Third Party Administration of Workers Compensation and Liability Claims. <i>Auditor Note: Payments reviewed related to funding transferred for claims.</i>
Standard Parking Corporation	\$ 8,255,412	Yes	On-Street Parking Enforcement, Off- Street Parking Management
Mediko PC	\$ 8,252,003	Yes	Service/Sheriff/Inmate medical services for Richmond City Justice Center
Allan Myers VA Inc.	\$ 8,034,364	Yes	1" Mill & Overlay Paving Program, Resurfacing, Asphalt

Auditor Prepared Table

Based on the review of the top five highest dollar invoices for the 10 vendors with active contracts, it was determined that payments were reasonable for the sampled items based on the contract and invoice descriptions.

Criteria:

Payments to the top vendors should be contracted as required by the City's procurement code and supported with documentation for the disbursements made.

Cause:

For the top vendors and five disbursements tested City departments complied with procurement code by having active contracts along with supporting documentation.

Effect:

Based on the review of the top 10 vendors with active contracts, no irregularities were identified for the sampled payments reviewed. Unidentified irregularities may still exist but were not detected.

What Needs Improvement

Finding #1 – Earnings Beyond Separation

Condition:

The auditors analyzed earnings beyond the identified employee separation dates for the following:
Earnings Beyond 14 Days of Separation

A total of 47 employees in 12 departments were identified with earnings beyond 14 days of the separation date. Of the 47, nine employees were determined to have earnings improperly paid beyond separation totaling \$13,936.81. The following was determined for the identified employees:

- Earnings for seven employees totaling \$6,499.80 had not been recovered, three payments were less than \$20
- Earnings for two employees were recovered totaling \$7,437.01

Payouts Beyond 30 Days After Separation

The auditors identified 17 employees with vacation/holiday payouts more than 30 days after their separation date with the City ranging from 31 days to 111 days.

Criteria:

Supervisors are responsible for notifying Human Resources (HR) of the separation. HR in collaboration with department timekeepers are responsible for ensuring that the employee is properly separated and paid out timely and accurately after separation from the City. HR is responsible for deactivating the employee's status in the system preventing further pay from generating. As a part of the bi-weekly payroll processing, timekeepers are responsible for validating that wages paid are accurate.

Cause:

Departments indicated delays in processing for the following reasons:

- Extended time to reconcile hours to be paid out;
- Failure by HR to process the separation;
- City equipment not returned timely by employee; and
- Keying errors in the system for employee's separation date.

HR indicated that the following causes delays in processing employee separations:

- Lack of communication that the employee has separated;
- Forms are not completed for the employee, which results in them remaining active in the system.

Effect:

Employees received wages in error beyond their employment with the City totaling \$13,936.81 of which \$7,437.01 has been recovered.

Recommendations:

- 1. We recommend that the Director of Human Resources establish a standardized communication process to notify all department representatives (supervisors, timekeepers, automation coordinators) to timely process employee separations.***

2. We recommend that Director of Human Resources work with the respective departments to recover the overpaid funds as cost beneficial and as advised by the City Attorney’s Office except for the immaterial amounts.

Finding #2 – Separated Employees Active Directory Accounts

Condition:

The auditors compared separated employees in CY2020 to the active directory user listing as of January 1, 2021. A total of 67 separated employees in CY2020 were identified with an enabled active directory user account. The City’s active directory is an employee account in the City’s employee database that allows them to access the City’s network, email, and other City systems in order to perform their duties. From the listing of matches, the following was determined:

	Employee Login After Separation Date	Employee Account had an Expiration Date	SAPR Submitted to Delete Account	SAPR submittal date exceeds 20 days	Employee Returned to Employment
Yes	13	25	14	6	1
No	54	42	53	8	66
Total	67	67	67	14	67

Auditor Prepared Table

The following demonstrates the breakdown of separated employees with and without SAPRs by City Department as of the audit inquiry:

Department	Yes	No	Grand Total
Adult Drug Court		2	2
Animal Care and Control		1	1
Circuit Courts	2	3	5
Commonwealth Attorney	1		1
Community Wealth Building		4	4
Emergency Communications	1		1
Economic Development	1		1
Finance	2	1	3
Fire & Emergency Services		4	4
Human Resources	1		1
Justice Services		2	2

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Parks & Recreation	1	22 ²	23
Planning & Development Review	1	1	2
Police	1		1
Public Utilities		9	9
Public Works		2	2
Registrar's Office		1	1
Sheriff's Office	2	1	3
Social Services	1		1
Grand Total	14	53	67

Auditor Prepared Table

Criteria:

Administrative Regulation 2.6 indicates that it is the responsibility of the employee's manager and automation coordinator to notify the Department of Information Technology to remove system access. Department Automation Coordinators (AC) submit SAPR through BonitaSoft to separate employees within their departments from the City's Active Directory and other City systems. Separated employees should neither have continued access to the City's systems nor have earnings processed for them beyond their last day of service.

Cause:

A formal process is not in place to delineate the roles and responsibilities to notify the AC's about separations. Without guidance, the automation coordinators are left to interpret the timeliness and urgency of submitting SAPRs for separated employees. Additionally, some departments like Parks and Recreation have seasonal employees that leave temporarily and return further complicating this process.

Effect:

Separated employee accounts remained active, which may result in inappropriate access to the system after they leave employment.

² Parks & Recreation has a signification amount of temporary and provisional employees that are submitted in bulk for disabling to DIT, which means they could be submitted under a different name. The Department has continued to research the listing provided of separated employees.

Previously Issued Recommendation:

Management has been informed of the specific accounts that need review and correction. The following recommendation remains open from the 2020-14 IT User Access Audit:

- *We recommend the Director of Human Resources develop and implement a policy outlining the communication responsibilities for separated employees between Human Resources and the Automation Coordinators.*

Finding #3 – Floating Holiday Hours over Threshold

Condition:

The auditors analyzed the CY2020 floating holiday hours and identified 39 employees with floating holiday earnings, where employees took multiple floating holidays or hours exceeded 8 hours. Of these, the following was determined:

- 35 required adjustments to leave balances
- 4 had already been corrected prior to the audit

The following table outlines floating holiday overages by department:

Department	Number of Employees with Floating Holidays Over Threshold	Total Earnings for Floating Holidays Over Threshold
Finance	1	\$174.32
Fire	12	\$4,496.54
Parks & Recreation	2	\$401.04
Planning & Development Review	1	\$251.92
Police	8	\$2,564.06
Public Utilities	4	\$933.52
Public Works	8	\$1,276.96
Richmond Retirement System	1	\$384.64
Social Services	2	\$361.92
Totals	39	\$10,844.92

Auditor Prepared Table

The auditors also identified two floating holidays granted to employees hired after May 1, 2020 totaling 16 hours and \$221.16 dollars, who were not eligible to receive a floating holiday. Both employees leave balances were adjusted.

Criteria:

According to Administrative Regulation 5.2:

- Employees are allotted a predetermined number of holidays and one floating holiday during each calendar year. Except for shift personnel, City employees are granted eight hours for holidays.
- Employees who are employed by the City by May 1st of each year are eligible for a floating holiday.

Cause:

Supervisors did not have proper oversight to ensure the accuracy of leave taken by their direct reports. Also, the system does not restrict the number of floating holiday hours recorded to holiday line items.

Effect:

Improper keying and approval of additional holiday and floating holiday hours resulted in employees showing a higher vacation and sick leave balances. This resulted in \$11,066.08 floating holiday pay. Additional administrative work is required to make the necessary adjustments due to the lack of automated system controls.

Previously Issued Recommendation:

The auditors have communicated the required adjustments to the nine departments and they have or are working to make corrections as necessary. The following recommendation remains open from the 2019-07 Payroll Audit Report:

- *We recommend the Director of Human Resources run a report calendar year end showing floating holiday and holiday hours over the limits and distribute to departments for correction prior to W-2 processing.*

Recommendation:

3. *We recommend the Director of Human Resources implement automated system controls to limit the number of floating holiday hours as a part of the RAPIDS system.*

Finding #4 – FMLA Hours over Threshold

Condition:

We analyzed CY2020 employee earnings for all Paid FMLA Leave and identified eight employees exceeding the established paid leave thresholds. The following table outlines overages by FMLA Paid Leave type:

FMLA Paid Leave Type	Number of Employees	Total Hours Over Threshold	Total Dollars Over Threshold
Paid Parental Sick	2	12	\$421.63
Paid Maternity/Bonding	6	110.5	\$2,493.68
Totals	8	122.50	\$2,915.31

Auditor Prepared Table

All adjustments for the FMLA paid leave overages were adjusted after it was brought the attention of the departments.

Criteria:

Effective July 7, 2018, the City implemented Paid Parental Leave for various FMLA categories. The table below depicts the City’s Administrative Regulation 4.3-A which outlines the type of event and the number of weeks that can be granted as paid leave to eligible employees:

FMLA Paid Leave Type	Period Granted	Leave Use
Birthing Mothers	8 weeks	Continuous
Stillbirth (birthing mother)	4 weeks	Continuous
Bonding – non-birthing parent	8 weeks	Continuous or intermittent
Adoption/foster care placement	8 weeks	Continuous or intermittent
Care for sick parent	4 weeks	Continuous or intermittent

Auditor Prepared Table

Cause:

Supervisors did not have proper oversight to ensure the accuracy of leave taken by their direct reports. Also, RAPIDS does not restrict the number of hours recorded to the paid leave line items.

Effect:

The City granted excess Paid Parental Leave to eight employees totaling 122.5 hours in excess of the allotted number of hours. This overage totaled approximately \$2,915. Without proper monitoring and enforcement of time tracked for FMLA, the following may occur:

- Remaining FMLA hours balance could be inaccurate, which could lead to improper approval of subsequent FMLA.
- Additional costs incurred by the City for leave an employee is not entitled to.

Action Taken:

All adjustments for the FMLA paid leave overages were adjusted after it was brought the attention of the departments.

Recommendation:

4. *We recommend the Director of Human Resources implement automated system controls to limit the number of Paid FMLA hours as a part of the RAPIDS system upgrade by element type.*

Finding #5 – Holiday Hours over Threshold

Condition:

The auditors analyzed holiday hours paid during CY2020 and identified 37 employees with holiday leave hours that were more than the allotted hours. Of the 37, the following was determined:

- Seven of the identified employees required an adjustment to the employee's leave.
 - Five of the adjustments were submitted for a total of 42 hours totaling \$1,012.44.
 - Two of the adjustments had not been submitted as of the end of testing for a total of 32 hours and \$868.38. The departments are in the process of recovering the hours.

- 30 did not require leave adjustments and were keying errors in the employee's timecards.

Criteria:

According to Administrative Regulation 5.2, employees are allotted a predetermined number of holidays and one floating holiday during each calendar year. Except for shift personnel, City employees are granted eight hours for holidays.

Cause:

Supervisors did not have proper oversight to ensure the accuracy of leave taken by their direct reports. Also, the system does not restrict the number of holiday hours recorded.

Effect:

Improper keying and approval of additional holiday hours resulted in employees showing higher balances resulting in \$1,880.82 of additional holiday pay. This oversight also resulted in loss of productivity due to additional administrative work by the departments, HR, and Finance to make the necessary adjustments.

Previously Issued Recommendation:

The following recommendation remains open from the 2019-07 Payroll Audit Report:

- *We recommend the Director of Human Resources run a report calendar year end showing floating holiday and holiday hours over the limits and distribute to departments for correction prior to W-2 processing.*

Finding #6 – CY2020 Overtime Hours

Condition:

During CY2020, 23 City employees in six departments earned overtime in excess of 1,040 hours. Of these employees, 13 had more than 1,040 overtime hours in CY2019. The breakdown of total overtime hours and dollars summarized by department and employee is as follows:

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Department	CY2020 Overtime Hours	CY2020 Overtime Dollars	CY2019 Overtime Hours	CY2019 Overtime Dollars
DEC Employee #1	1,827.00	\$ 63,781.67	2,122.50	\$ 69,704.12
DEC Employee #2	1,183.50	\$ 33,414.43	1,445.25	\$ 38,948.63
Fire Employee #1	1,200.75	\$ 41,544.54	*	*
Fire Employee #2	1,150.50	\$ 36,447.45	*	*
Fire Employee #3	1,143.50	\$ 44,607.12	*	*
Fire Employee #4	1,064.75	\$ 36,610.34	*	*
Fire Employee #5	1,062.00	\$ 55,416.19	*	*
Fire Employee #6	1,056.00	\$ 24,505.51	*	*
Police Employee #1	1,260.70	\$ 59,095.94	*	*
Police Employee #2	1,219.40	\$ 64,467.04	1,299.30	\$ 68,691.42
Police Employee #3	1,169.10	\$ 76,133.81	*	*
Police Employee #4	1,165.90	\$ 61,638.70	1,132.40	\$ 59,867.40
Police Employee #5	1,072.60	\$ 49,660.25	*	*
Police Employee #6	1,057.30	\$ 55,897.09	1,155.20	\$ 61,073.06
DPU Employee #1	1,232.25	\$ 55,155.69	1,236.00	\$ 52,206.62
DPW Employee #1	1,162.75	\$ 30,539.76	1,506.75	\$ 38,182.63
Sheriff Employee #1	1,493.00	\$ 45,548.73	1,458.50	\$ 42,532.74
Sheriff Employee #2	1,431.50	\$ 41,024.12	1,402.00	\$ 39,194.06
Sheriff Employee #3	1,370.50	\$ 44,253.00	1,336.50	\$ 41,959.21
Sheriff Employee #4	1,258.00	\$ 40,936.59	1,111.00	\$ 34,974.95
Sheriff Employee #5	1,205.50	\$ 35,937.35	1,412.50	\$ 40,323.34
Sheriff Employee #6	1,164.50	\$ 33,172.06	*	*
Sheriff Employee #7	1,060.00	\$ 31,565.29	1,044.25	\$ 29,718.07
Totals	28,011.00	\$1,061,352.67	17,662.15	\$617,376.25

* Overtime Hours in CY2019 did not exceed 1,040

Auditor Prepared Table

Criteria:

Employers should monitor overtime hours to ensure high productivity and employee safety.

Cause:

The City does not have a policy limiting the amount of overtime an employee may work. This is an open outstanding recommendation from the 2019-07 Citywide Payroll audit.

Effect:

Studies have shown that employees working extended overtime hours over long periods may result in reduced employee productivity and exposes the employees to safety and health risks. Additionally, such high overtime amounts appear to be unreasonable to maintain for an organization.

Actions Taken:

The list of high overtime earners has been communicated to the CAO so that this open follow up item can be researched and addressed.

Previously Issued Recommendation:

The following recommendation remains open from the 2019-07 Payroll Audit Report:

- *We recommend that the Director of Human Resources work with the CAO to implement a policy to limit the number of overtime hours allowed for an employee, adjusted for the applicable FLSA threshold.*

Finding #7 – Duplicate Payments

Condition:

For FY2020, the auditors analyzed City invoices greater than \$100 for vendor name, invoice date, and invoice amount to identify potential duplicate payments. A total of 2,132 invoices were analyzed with 910 reviewed in detail totaling \$2.9 million for potential duplicates. The remaining invoices were determined to have consistent invoice naming sequences or goods/services provided for multiple areas of the City. For the invoices reviewed, the following was identified:

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- 23 Invoices were identified as duplicate payments totaling \$135,330.99
 - Seven invoices from six departments, totaling \$12,842.04, were identified as duplicates where funds have not have not been recovered to the City as noted below:

Department	Duplicate Invoices Not Recovered
City Attorney	\$ 8,250.00*
Public Utilities	\$ 278.10
Public Works	\$ 3,556.56
Parks and Recreation	\$ 439.18**
Planning and Development	\$ 168.20*
Retirement	\$ 150.00*

*Documentation of recovery of funds provided after fieldwork completed
 **Vendor went out of business and funds are not recoverable
 Auditor Prepared Table

- 16 other duplicate payments were identified within seven City departments where funds had already been recovered for a total of \$122,488.95.

Criteria:

System controls in RAPIDS prevent the same invoice numbers from being paid for the same amount and vendor site code. Department employees responsible for processing invoices should monitor and validate invoice accuracy and not bypass system controls

Cause:

Duplicates resulted from modified invoice numbers, multiple purchase orders/receipts, and duplicated vendors. It is the responsibility of the department to ensure that vendor invoices are not processed multiple times and the information in the system matches what is on the invoice.

Effect:

City vendors were paid multiple times resulting in duplicate funds being expended for services not received. However, the amount was not large as a part of total invoices analyzed as potential

duplicates. This could result in the loss of thousands of dollars for the City.

Recommendation:

5. *We recommend the following City departments recover identified duplicate payments from the vendors by either receiving a refund of the overpayment or a credit on future invoices:*

- *Public Utilities*
- *Public Works*

APPENDIX A: MANAGEMENT RESPONSE FORM

2021-13 Citywide - Continuous Auditing

#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
1	We recommend that the Director of Human Resources establish a standardized communication process to notify all department representatives (supervisors, timekeepers, automation coordinators) to timely process employee separations.	Y	Effective immediately, all parties (supervisors, timekeepers, automation coordinators) will receive email notification of the upcoming separation date. Also, the Separation check list will be updated to reflect confirming notification of the stated parties to include dates.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director or HR Division Chief		26-Apr-21
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
2	We recommend that Director of Human Resources work with the respective departments to recover the overpaid funds as cost beneficial and as advised by the City Attorney's Office except for the immaterial amounts.	Y	HR Generalist will drafts letters on behalf of the various department directors to ex-employees requesting the over payments
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director or HR Division Chief		14-May-21
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
3	We recommend the Director of Human Resources implement automated system controls to limit the number of floating holiday hours as a part of the RAPIDS system.	Y	DHR will work with DIT and Finance to see if RAPIDS can be updated to allow for tracking of floating holidays to include not allowing it to be used if previously taken in a CY and determining eligibility for usage. Notification will be sent City wide informing all employees that they are responsible for keeping track of their Floating Holiday usage and utilizing it more than 2 times could result in an adverse disciplinary action in addition to the loss of the hours. Training and Development will develop a session for all employees on Floating Holidays.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director and HR Manager (HRIS)		1-Dec-21
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION

APPENDIX A: MANAGEMENT RESPONSE FORM

2021-13 Citywide - Continuous Auditing

#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
4	We recommend the Director of Human Resources implement automated system controls to limit the number of Paid FMLA hours as a part of the RAPIDS system upgrade by element type.	Y	HR will work with DIT and Finance to instill an automated system control within RAPIDS that would not allow for overages for paid time off. Through training, emphasis is placed upon the supervisors or designee utilizing RAPIDS for all direct reports to review/monitor timecards prior to approval/submission. HR will develop/revise Administrative Regulation which states COR will deduct any overages from the EE's paycheck following discovery of overage.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director/HR Manager (Police)/FMLA Coordinator		1-Sep-21
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
5	We recommend the following City departments recover identified duplicate payments from the vendors by either receiving a refund of the overpayment or a credit on future invoices: <ul style="list-style-type: none"> • Public Utilities • Public Works 	Y	The Departments will work to recover identified duplicate payments from vendors.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Directors of Public Works and Public Utilities		1-Dec-21
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION