

August 27, 2012

**Audit Committee
Mayor McMillan and City Council
Power Board Members
City of Clarksville
Clarksville, TN 37040**

RE: CDE Lightband Payroll Audit # 1302

Dear Audit Committee, Mayor McMillan, City Council Members and Power Board Members:

Attached is the Internal Audit Department's report on the CDE Lightband Payroll Audit. Also attached is an executive summary which highlights the findings and recommendations contained in the full report.

We thank the management and staff of CDE Lightband for their cooperation and assistance during this audit.

Sincerely,



**Lynn Stokes, CPA
Director of Internal Audit**

Attachment

**cc: Charlie Koon, Chief of Staff
Ben Griffin, Director of Finance
Brian Taylor, Superintendent, CDE Lightband
David Johns, CFO, CDE Lightband
Privott Stroman, Human Resource Director, CDE Lightband**

The Honorable Mayor Kim McMillan
City Council Members
Audit Committee Members
Power Board Members
Clarksville, Tennessee 37040

Executive Summary of the CDE Payroll Audit

The following is an executive summary of the findings and management's comments in response to the findings related to the internal audit report on the Clarksville Department of Electricity and Lightband (CDE) payroll function. The full audit report is attached and contains additional details about the findings and recommendations as well as more background information.

Objectives of the Audit

- Report on CDE's compensation-related payroll compliance with Federal and State law and local policy
- Report on CDE's adoption of the Fox Lawson compensation study
- Review CDE's payroll related Human Resource Policy
- Evaluate the effectiveness of CDE's internal controls over payroll
- Evaluate the efficiency of CDE's payroll operations

Brief Background

Payroll is one of the most significant expenses of the City and its component entities. In FY 2011 CDE spent approximately \$7.2 M on payroll expenses.

The CDE payroll audit is part of a City-wide payroll audit that is in progress.

The audit period is January 1, 2011 through March 31, 2012.

Summary of Auditor's Observations and Findings

We randomly selected 259 payroll transactions out of the total population of 5126 transactions that occurred during the audit period. We tested each transaction after reviewing the related personnel files and the source documents. Without exception:

- the source documents supported the rates and hours paid by each transaction,
- the transactions were accurately and consistently calculated,
- the transactions complied with Federal and State law and local policy, and
- the personnel files and payroll support met all compensation-related FLSA record keeping and validation requirements.

Based on the findings in this test work, we are 95% confident that 97% of all transactions within the audit period are supported, accurately calculated, compliant with Federal and State law and local policy, and that all record maintenance requirements have been met.

We tested for implementation of the Fox Lawson & Associates compensation study. One hundred fifty-eight of the 259 sample selections and 3045 of the 5126 total transactions occurred after implementation of the compensation study findings. This 158 transaction sample and 3045 transaction population became the basis for our FLA implementation test work. Without exception, these transactions used rates that agreed with the FLA compensation study guidelines. Based on the sampling we are 85% confident that 97% of all transactions within the audit period adopted the FLA compensation study wage scales.

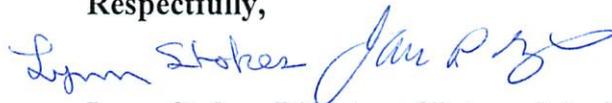
We reviewed payroll-related CDE Human Resource policy for FLSA compliance, and risk mitigation. Our assessment indicated that the policies in place are in compliance with FLSA, but one policy was identified as needing a risk mitigation review (policy on rest periods in an emergency situation).

We reviewed the effectiveness and the structural soundness of CDE's internal control structure over payroll. We determined that the internal control structure was effective (in terms of accuracy). We determined that segregation of duties was sound, but that system access allows for unilateral changes to payroll if an employee deviated from their prescribed role. We also noted that employee evaluations were not being tracked at the human resource level as prescribed in City Code.

Finally, we made recommendations to add approval of Superintendent leave and to restrict access to payroll functions (no full access where no payroll role exists). We also recommended that CDE consider creating a more efficient payroll processing environment by 1) adopting a 5 business day payroll lag for all employees, 2) a change from semi-monthly payroll to bi-weekly payroll, and 3) creating a system-based workflow environment for payroll processing.

If you have any questions about the audit, the findings, or the recommendations please contact us at 648-6106.

Respectfully,

A handwritten signature in blue ink that reads "Lynn Stokes" followed by a stylized signature of "Jim McNaughton".

Lynn Stokes, Director of Internal Audit
Jim McNaughton, Auditor II

cc: Charlie Koon, Chief of Staff
Ben Griffin, Director of Finance
Brian Taylor, Superintendent, Clarksville Department of Electricity - Lightband
David John, CFO, Clarksville Department of Electricity - Lightband
Privott Stroman, Human Resource Manager, Clarksville Department of Electricity - Lightband



INTERNAL AUDIT REPORT

AUDIT TITLE:	PAYROLL AUDIT
DEPARTMENT:	CDE LIGHTBAND
AUDIT PERIOD:	JANUARY 2011 THROUGH MARCH 2012

CITY OF CLARKSVILLE

CDE LIGHTBAND

PAYROLL AUDIT
AUDIT # 1302



Auditor



Audit Director

August 27, 2012

Date

**CITY OF CLARKSVILLE
INTERNAL AUDIT REPORT**

CDE Lightband Payroll Audit

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Internal Audit Report

Origin of the Audit

The Internal Audit department of the City reviewed the CDE Lightband's (CDE's) payroll to provide assurance and advisory services related to payroll. This audit was included in the FY 2012 Audit Plan approved by the Audit Committee.

Audit Objectives

Our objectives for this audit were to:

- Report on CDE's Payroll activity from January 2011 through March 2012.
- Determine compliance with Federal and State payroll-related law related to compensation and payroll records.
- Determine compliance with City Code and CDE policy.
- Determine whether Fox Lawson & Associates pay study scales were adopted.
- Evaluate payroll-related CDE Human Resource Policy for compliance with FLSA.
- Evaluate the design and effectiveness of internal controls over the payroll process during the audit period.

Scope and Methodology of the Audit

Our audit scope included tests of payroll compliance related to compensation on the Federal, State and local (City Code and CDE policy) level.

The scope did not include an audit of benefits or payroll deductions.

Our audit scope included the CDE internal control structure and the payroll transaction activity during the selected audit period (January 2011 through March 2012). We assessed the effectiveness of the controls by assessing the accuracy of the existing payroll process and structural adequacy and the sustainability of the internal control structure.

The audit scope did not include an evaluation of any IT or financial systems or the adequacy or design of IT or financial systems.

Evidence to support our conclusions was gathered from direct inquiries of management and staff as well as observations of source documentation and tests of the controls surrounding the transaction approval, calculation, and record keeping requirements of the payroll process. From a population of 5126 transactions, we randomly selected a sample of 259 transactions and 134

associated employee personnel files (134 employees selected out of 216 total employees paid during the period) for review.

Statement of Auditing Standards

We conducted this audit in accordance with generally accepted government auditing standards as set forth in Governmental Auditing Standards issued by the Comptroller General of the United States, with the exception of the peer review. 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.

Background

Reasons for Audit consideration:

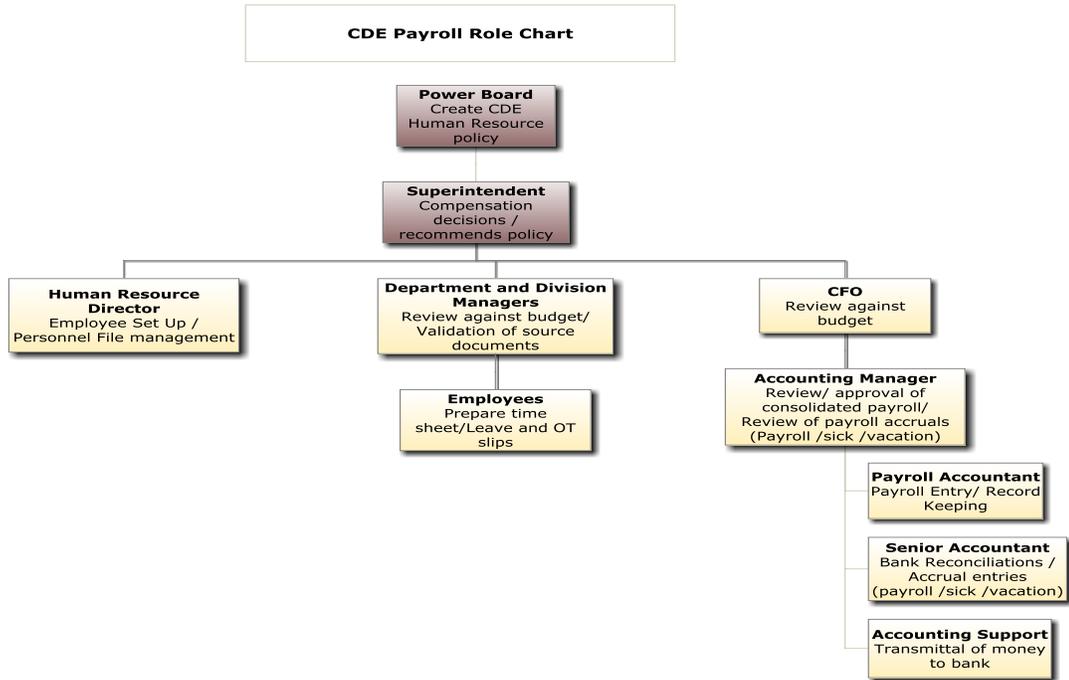
In FY2011, payroll expense was the third largest operating expense at CDE.

Payroll as a % of Operating Expense	FY2011	%
Cost of Power (electric)/Services less install (broadband)	120.9M	82.0%
Depreciation and amortization	8.4M	5.7%
Payroll (Wages, overtime and other earnings only)	7.2M	4.9%
Other operating expenses (rent, marketing, supplies, taxes, benefits, etc...)	11.0M	7.4%
Total Operating Expense	147.5M	100%

Source: CDE Audited Financial Statement June 30, 2011 and 2010

In FY2012, payroll expense was \$6.0M through March 2012 (9 months into FY2012) which indicates an approximate 10% increase over the FY11 expense (\$6M/9 months* 12 months = \$8M). The main reason for the increase is the implementation of the CDE Fox Lawson & Associates (FLA) pay study (phased in from 07/01/2011 through 12/31/2011). The FLA study reviewed all positions to determine the appropriate classification and pay grade for each position and employee. The implementation of the study aligns CDE labor rates with other utilities in the region.

Internal Controls and Compliance with Federal and State Laws, City Code, and CDE Policies:



Source: Discussions with CDE management team

Relevant Procedures and Controls	Yes	No	Other	Status
Internal Controls:				
Do payroll procedures exist?	X			Procedures are not written. The procedures were determined through discussions with Human Resource Director and Payroll Accountant and validated by observation, evidence in payroll backup, and evidence in personnel files.
Are the payroll process roles clearly defined and understood?	X			Roles are clearly defined and specific. The central role (payroll accountant) directs the process and monitors compliance.
Do procedures provide that all authorizations (new hires, status changes, separations) include Human Resource approval and document immediate transmittal to the payroll accountant?	X			Employee changes have to be signed by HR and Payroll. Documented on applications and status change forms.
Segregation of Duties:				

Relevant Procedures and Controls	Yes	No	Other	Status
Are key duties and responsibilities in authorizing, processing, recording, and reviewing transactions segregated?	X			<p>IT, the Payroll Accountant, the Human Resource Director and the Superintendent all have full payroll access.</p> <p>Must be worked, detailed and approved prior to payment. If incomplete, the payment will be delayed until complete.</p> <p>All timesheets, overtime and leave approvals are included as support for the payroll in which they were paid.</p> <p>Locked in fireproof cabinets maintained by the CDE Human Resource Director.</p> <p>Held in Payroll Accountant's office in a cabinet. Access is restricted (auditors, those with payroll roles and management as needed)</p> <p>Full access for IT Supervisor, Human Resource Director, and Payroll Accountant. Limited access for Payroll Accountant's backup. Access is restricted through the establishment of procedures not by system limitations.</p> <p>Superintendent has retained the full payroll access needed in his former position as IT Supervisor. Recommend that Superintendent payroll access be removed or</p>
Does the software system access prevent any one employee from unilaterally changing payroll?		X		
Are controls in place that prevent the person who prepares the time sheets from changing the time after approval?	X			
Are overtime hours, standby time worked, detailed and approved prior to being paid (by someone other than who prepares payroll)?	X			
Are time sheets, overtime approvals, and leave form approvals documented and maintained?	X			
Is access to personnel files restricted?	X			
Is access to payroll files restricted?	X			
Is Daffron payroll system access restricted appropriately for those with payroll roles?		X		
Is Daffron payroll system access confined to those with a payroll role?		X		

Relevant Procedures and Controls	Yes	No	Other	Status
<p>Is check stock secured?</p> <p>Does CDE maintain adequate bank account controls over payroll?</p> <p>Is the ability to transmit funds to the bank segregated from the ability to prepare payroll?</p>	<p>X</p> <p>X</p> <p>X</p>			<p>changed to “read only” access.</p> <p>Accounting Manager controls check stock. Signatures are digital. Checks are approved by Accounting Manager, processed by Accounting support staff, and forwarded to the Payroll Accountant for distribution.</p> <p>The CDE operations bank account is also used for payroll. However, the activity is nominal (bank transmittal, a handful of checks, and payments of payroll liabilities). Management does not want to generate the additional bank charges.</p> <p>The preparer of payroll releases the payroll once it is determined to be supported and approved at all levels, but the Accounting Supervisor reviews and gives final approval.</p>
<p>Procedures to ensure that payroll is properly calculated:</p> <p>Verify the time paid against supporting documents:</p> <p>a. Time sheets (Hourly and Salary NE)</p> <p>b. Overtime (Hourly and Salary NE)</p> <p>c. Leave (vacation/sick/other)</p> <p>Verify rate paid is documented and validated in the personnel file</p> <p>Verify the Overtime is calculated correctly</p> <p>Verify other earnings against supporting documents:</p> <p>a. Standby schedules</p> <p>b. Opt out medical</p>	<p>X</p> <p>X</p> <p>X</p> <p>X</p> <p>X</p> <p>X</p> <p>X</p>			

Relevant Procedures and Controls	Yes	No	Other	Status
c. Salary adjustments (prior period) d. Safety Day payout e. Group life insurance (Gross up) f. TVA loan Interest reimbursement Verify Vacation /Sick/Holiday/Other Leave on the timesheet is supported by validated leave forms or holidays	X X X X X			
Payroll policy and practice compliance with Federal and State of Tennessee laws and City Code and CDE Human Resource Policy: Payroll policy and practice is in compliance with the Federal Labor Standards Act and State guidance (related to hours, compensation, and record keeping)? Payroll policy and practice is in compliance with City Code (related to hours, compensation, and record keeping)? Payroll policy and practice is in compliance with CDE Human Resource policy (related to hours, compensation, and record keeping)? Is the compensation in accordance with the Fox Lawson & Associates pay study after the implementation period (July 2011 through December 2011)?	X X X X			Could be a potential issue with CDE Policy 3-3a Rest Periods in an Emergency – There is no minimum rest period defined and rest is subject to approval

Results of Audit:

Auditor testing and research revealed the following findings:

1. Limit full Daffron payroll access to those with active Human Resource and Payroll roles.

Criteria: The ability to change Human Resource and Payroll data should be properly segregated and limited to those with roles requiring access.

Condition: Currently full Daffron Human Resource/Payroll access is held by the CDE Superintendent, the CDE IT Supervisor, the CDE Human Resource Director, the CDE Payroll Accountant, and limited access (time entry only) to a CDE Accounting Support Assistant. All have Human Resource and Payroll roles to support their access with the exception of the CDE Superintendent. Aside from the limited access restrictions placed on the CDE Accounting Support Assistant (time entry only) these employees have system access which would allow them to unilaterally change payroll information.

Cause: Access to human resource and payroll data is granted to allow for backups (Human Resource Director, Payroll Accountant, and Accounting Support Assistant) and oversight/support (IT Supervisor). Additionally, the CDE Superintendent had a Daffron Human Resource and Payroll oversight role as part of his IT Manager position role. He was promoted out of that position in February 2009, but the full Daffron Human Resource and Payroll access was never removed or changed to "read only" access.

Effect: Access to human resource and payroll data is limited, but the access exceeds the procedural roles. Currently, system access capability provides an opportunity for fraud or abuse.

Recommendation: CDE should restrict human resource and payroll roles and require system approval (workflow) for changes. Those in an oversight role should have their access to the Daffron Human Resource and Payroll functions limited to "read only" access.

Management Comments:

Agree _____

Disagree _____

Corrective Action Plan:

Management agrees with this finding, and will restrict the Superintendent's access to "read only".

Projected Completion Date: September 1, 2012

Responsible Manager: David Johns

2. Enforce the requirement to perform an annual performance evaluation for all employees.

Criteria: City of Clarksville Code (Section 1.5-801) specifies that all full-time employees will receive a performance evaluation at least annually.

Condition: After a review of the CDE employee files and discussions with CDE Management, it was determined that the last CDE employee performance evaluation dates back to October/November 2010. The 2009 evaluations were observed and documented as being in the personnel files without exception. The 2010 evaluations were consolidated and filed separately from the employee personnel files. Our testwork indicated that the majority, but not all employees, had documented 2010 evaluations. Management indicated that the most likely explanation for missing evaluation documentation was that some of the 2010 evaluations did not make it into the consolidation point. In 2011, CDE Management did not complete formal employee evaluations. The lack of documented employee performance evaluations for some employees in 2010 and for all employees in 2011 leaves employee performance in doubt and does not document managements human resource development efforts at a central point of control.

Cause: Performance was being documented at the manager/supervisor level, but the documentation was not fully captured at the organizational level in 2010 or 2011.

Effect: CDE is not in compliance with City Code Section 1.5-801. The lack of employee performance documentation at the organizational level puts CDE and the City at risk when employee actions are made based on job performance. By not enforcing the use of performance evaluations, it is likely informal evaluations will be skipped. Without evaluations, CDE will not be able to document that employees received the guidance and feedback they needed in order to perform their jobs in a satisfactory (or higher) manner.

Management Comments:

Management agrees with the finding.

Management is and always has been committed to evaluating and providing feedback to employees. In 2009 and 2010, formal employee evaluations were performed. We agree that the method used to consolidate the 2010 evaluations failed to capture all evaluations at the consolidated level, but the 2010 evaluations were completed for all employees.

In 2011, CDE went thru several changes. There was a change in leadership at the top of the organization and a change in organizational structure which placed several CDE functions under City of Clarksville oversight. During this period, there was uncertainty as to who was driving the evaluation process and the required format of the process. Because of the leadership and structural changes, and the resulting uncertainty, evaluations were not performed in 2011.

CDE Management fully understands the importance of the performance evaluation process and the documentation of the process. Our plan has always been to perform and document the employee evaluations annually and we will be completing and documenting evaluations in 2012 and going forward.

Agree _____ X _____

Disagree _____

Corrective Action Plan:

Perform annual performance revaluations and maintain them in personnel files for all future years.

Responsible Manager: Privott Stroman

Additionally, audit testing and research resulted in the following recommendations:

The current policy could be interpreted to fall short of OSHA guidelines.

As an extreme example, an employee working during an emergency response in August 2011 worked 38 hours in a 48 hour period with only a 5 ½ hour break in between an 18 ½ and a 19 ½ hour shift.

The City Attorney recommends that Policy 3-3a be reviewed and reworded in order to protect the workers, CDE, and the City.

Cause: Policy 3-3a tries to balance the emergency need of citizens without power against the fatigue and stress of emergency workers trying to restore power. The policy allows supervisors to refuse a worker's request for rest even after 16 consecutive hours on duty.

Effect: Worker safety may be compromised. The Department and the City may be open to liability.

Recommendation: We recommend that CDE revisit the existing policy (3-3a). The OSHA guidance is not specific. However, we suggest that at a minimum CDE should consider removing the ability of a supervisor to refuse an employee's request for rest after a 16 hour shift. We also recommend that the policy contain a required minimum rest period so supervisors are not left to manage rest periods on their own.

Management Comments:

Agree _____ X _____

Disagree _____

Corrective Action Plan:

The current Policy 3-3a was written by the previous Board attorney in 2010. Per the policy, the Supervisor approves the employee to leave if requested so the employee is not leaving without notifying his supervisor. However, as discussed with the auditor, this policy (and those that pertain to it) is currently in process to be presented to the Personnel Committee of the Power Board to be revised and updated. A committee has been meeting to review these Policies, and we are gathering the necessary data for presentation to the Board. We will be sure to follow the guidelines set forth by OSHA and other laws and guidelines, and will keep these recommendations in mind.

Projected Completion Date: December 31, 2012

Responsible Manager: Privott Stroman

3. Create a payroll lag for salary employees.

Criteria: Utilize best practices to create the most efficient operations.

Condition: To pay employees there are deadlines that must be met including the approval of time sheets, leave and overtime, the entry of time, and the preparation of the bank transmittal which pays the employees.

As a result of these deadlines, CDE ends the hourly employee work week 5 business days prior to payday. However, salary employees are paid without any lag (their work time is estimated through the date they are paid).

The estimation of time worked for salary employees creates situations where adjustments need to be made in the following period. Adjustments need to be considered for all activity that was estimated. This includes any leave taken after deadline by the 50+ salary non-exempt personnel in any given month. For each adjustment, the leave accrual and the overtime calculations have to be reviewed. The volume of reviews performed each month can vary significantly.

Also, if an employee actually leaves CDE after the deadline, CDE has to pursue a post-employment collection for the time estimated and paid, but not worked.

Cause: CDE has determined that the low variation in salary work schedules allows them to estimate with an acceptable degree of accuracy. They have decided that they can live with the inefficiency (if small).

Effect: CDE payroll personnel have to recalculate assumptions from the previous period as part of their normal payroll processing procedure. The greater the number of different calculations and recalculations the greater the chance for error.

There are 2 different pay period groups (hourly and salary).

Recommendation: Create a payroll lag for salary employees identical to the one that exists for hourly employees. Have one set of rules for payroll for all employees and eliminate the inefficiency of having to recalculate payroll for salary (non-exempt) employees for the prior period.

Management Comments:

Agree X

Disagree _____

Corrective Action Plan:

Management will consider whether this perceived inefficiency and recalculation is any hindrance when CDE implements its accounting system upgrade this Fall. This recommendation will be considered at that time.

Projected Completion Date: November 30, 2012

Responsible Manager: David Johns

4. Consider using Daffron system workflow capability to document time support, approval and coding.

Criteria: Use the best practices to create the most efficient operations and create a framework that ensures segregation of duties in the payroll approval and review process.

Condition: Currently, timesheets are completed by all hourly and salary (non-exempt) employees (110+ employees each payroll). These timesheets are printed out as paper documents and forwarded to supervisors/managers for review and approval, then routed to central payroll for a review that documents support, validation and coding before time is entered into the Daffron System.

Cause: CDE uses the central accounting function as the control point for all data entry. The Payroll Accountant receives and reviews all timesheets to ensure compliance and makes sure all entries are properly approved, supported, and coded. The Payroll Accountant review includes a manual overtime and leave evaluation to determine if any adjustment needs to be made (due to estimation issues described in 4. above).

Effect: CDE loses the efficiency of single point entry and must evaluate the manual workflow approval.

Recommendation: If a payroll lag can be created that would eliminate any estimation and resulting adjustments, Daffron workflow capability should be implemented. The workflow would demonstrate supervisor approval of time and coding and eliminate the need for a central accounting review of payroll details.

Management Comments:

Agree _____ X _____

Disagree _____

Corrective Action Plan:

CDE implements its accounting system upgrade this Fall. This recommendation will be considered at that time.

Projected Completion Date: November 30, 2012

Responsible Manager: David Johns

5. Consider a move to a bi-weekly pay period.

Criteria: Efficiency: Utilize best practices to create the most efficient operations.

Condition: Currently CDE employees are paid on a semi-monthly pay cycle which means employees receive paychecks twice a month (on the 1st and the 15th or the previous business day if it falls on a holiday or weekend).

The time periods in the payroll cycle do not coincide with hourly and salary (non-exempt) work week schedules. Generally, that equates to a review of the final week of a pay period for 110 employees (50+ salary non-exempt plus 60+ full time hourly employees) each payroll. This means that for each work week (overtime calculation period) that was paid with any estimation of the remaining work week hours), a review of the pay assumptions needs to be completed.

Additionally, if standby hours for the work week are paid after the payroll is submitted the employees receiving overtime for that period will not be paid at the correct OT rate. This results from CDE's policy to add standby time into the overtime calculation. Currently, the overtime rate considers only the standby payments that are known at the time of payment.

Cause: CDE has always paid employees on a semi-monthly basis.

Effect: CDE payroll personnel have to piece together work weeks from two different pay periods to determine overtime hours for hourly and salary (non-exempt) employees.

Employees that have been paid overtime, have an overtime rate that is calculated using actually paid standby payments. If additional standby payments are made in the estimated portion of the work week, the overtime calculation will not consider them in the OT rate calculation. This potential differential is recalculated and is not paid.

Recommendation: If a payroll lag can be created for all employees (critical precedent before this recommendation can be considered), a move to a bi-weekly payroll cycle could be implemented. The bi-weekly payroll would increase the efficiency of operations in the payroll processing area. It would also allow for less payroll deadline confusion as the pay period end and payroll deadlines would generally be on the same days of the week (with exceptions for holidays). All hours worked would be known and all standby payments would be known. After reviewing case studies, the auditors believe implementation of a payroll lag and a bi-weekly payroll system can be accomplished with minimum impact to employees. Please contact the audit team for some specific examples.

Management Comments:

Agree _____ X _____

Disagree _____

Corrective Action Plan:

CDE implements its accounting system upgrade this Fall. This recommendation will be considered at that time.

Projected Completion Date: November 30, 2012

Responsible Manager: David Johns

Conclusion:

Our audit evaluated CDE's compensation-related payroll compliance with Federal and State law, and local policy, determined whether the FLA compensation study was adopted, reviewed CDE payroll related Human Resource Policy, and evaluated the effectiveness of CDE internal control over payroll during the period January 1, 2011 through March 31, 2012.

We randomly selected 259 payroll transactions out of the total population of 5126 transactions that occurred during the audit period. We tested each transaction after reviewing the related personnel files and the source documents. Without exception:

- the source documents supported the rates and hours paid by each transaction,**
- the transactions were accurately and consistently calculated,**
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- the personnel files and payroll support met all compensation-related FLSA record keeping and validation requirements.**

Based on the findings in this test work, we are 95% confident that 97% of all transactions within the audit period are supported, accurately calculated, compliant with Federal and State law and local policy, and that all record maintenance requirements have been met.

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We reviewed payroll-related CDE Human Resource policy for FLSA compliance, and risk mitigation. Our assessment indicated that the policies in place are in compliance with FLSA, but one policy was identified as needing a risk mitigation review as noted in recommendation 3 above.

Finally, we reviewed the effectiveness and the structural soundness of CDE's internal control structure over payroll. We determined that the internal control structure was effective (in terms of accuracy). We determined that segregation of duties was sound, but that system access allows for unilateral changes to payroll if an employee deviated from their prescribed role. We also noted that employee evaluations were not being tracked at the human resource level as prescribed in City Code. We made recommendations to add approval of Superintendent leave and to restrict access to payroll functions (no full access where no payroll role exists). We also recommended that CDE consider creating a more efficient payroll processing environment by 1) adopting a 5 business day payroll lag for all employees, 2) a change from semi-monthly payroll to bi-weekly payroll, and 3) creating a system-based workflow environment for payroll processing.

The auditor would like to thank the CDE staff for their help and support during the performance of this audit. Their positive attitude facilitated the conduct of the audit and provides the necessary environment for process improvements to take place.

If further information about this audit is desired please contact Internal Audit at 931-648-6106.