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Review of Payroll System (B)

In accordance with our Annual Audit Plan, the City Auditor’s Office has completed a Review of the Payroll System. The primary objective of this audit was to evaluate the system of management control over the processing of City payroll transactions in order to determine whether internal control practices are effective for properly recording, maintaining and managing payroll transactions and for ensuring that payroll transactions are accurate, authorized, approved and adequately monitored. Our procedures included interviewing key staff involved in the payroll and timekeeping process; observing operations related to payroll processing and employee sign-in procedures; reviewing management controls; testing selected samples of transactions and supporting documentation; and performing other procedures deemed necessary.

Based on the results of our review, we believe there is general compliance with applicable City payroll, personnel and timekeeping practices to provide reasonable assurance that payroll transactions are accurate, authorized, approved and monitored. However, we identified several areas where opportunities exist for strengthening controls over the payroll system. The attached report provides recommendations related to modifying payroll and timekeeping practices to reduce errors and improve the timeliness of wages paid, improving procedures related to new hires and rehired retirees, improving the coordination and efficiency of payroll processing, improving collection procedures for terminated employee training costs and modifying payroll reports.

We request that the Committee recommend the City Commission accept our report and the City Manager’s response. Also, in accordance with City Commission Resolution 970187, Section 10, Responsibilities for Follow-up on Audits, we request that the Committee recommend the City Commission instruct the City Auditor to conduct a follow-up review on recommendations made and report the results to the Audit, Finance and Legislative Committee.

The Audit, Finance and Legislative Committee recommends the City Commission:

- 1) Accept the City Auditor's report and the response from the City Manager, and
- 2) Instruct the City Auditor to conduct a follow-up review on recommendations made and report the results to the Audit, Finance and Legislative Committee.