



# OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

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## 16-13 City of Colorado Springs Payroll Audit

June 2016

### Purpose

The objectives of this audit were to evaluate controls to ensure protection of City assets and the reliability of financial information produced by the City's payroll system. Additionally, we performed high level trend analysis of employee overtime expenses as compared to prior years.

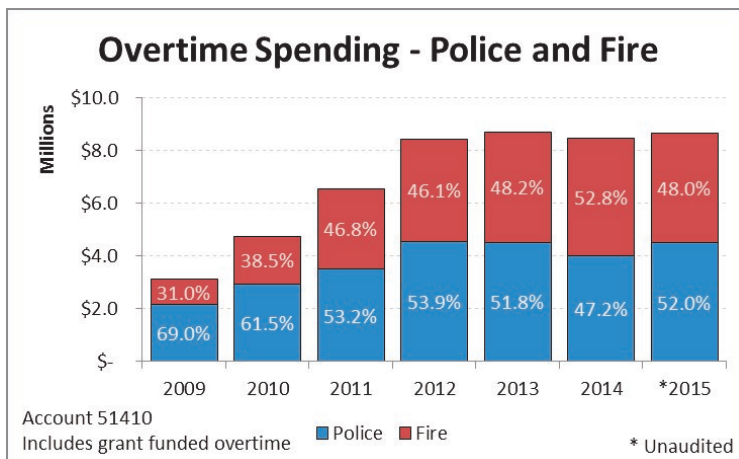
### Highlights

We concluded that controls were adequate to ensure protection of City assets and reliability of financial information produced by the payroll system. In the course of our review, we identified two observations to strengthen the control environment for payroll processing.

The City's Payroll and Pensions group within City Finance administered all payroll-related activities on behalf of the City's 2,261 full time employees. Additionally, this group of four employees administered pension plans. The Payroll and Pension group was responsible for ensuring compliance with applicable regulations, as well as, complex rules for Fire and Police payroll. City Human Resources, Finance and Human Resources personnel within the Fire and Police departments, and Information Technology personnel provided support of payroll administration.

As part of our review, we performed high level trend analysis of sworn employee payroll for 2009-2015. The scope of our review did not include identifying the reasons

for any trends, however, we have included management's comments on trends where appropriate. Please see additional trend data on page 2- of this report.



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### Recommendations

1. The City should remove seasonal employees from the payroll system when seasonal employment ends or provide compensating controls.
2. The City should change system permissions so that one employee is not able to perform all steps of the payroll process.

### Management Response

City Finance was in agreement with our recommendations.

City Council's Office of the City Auditor

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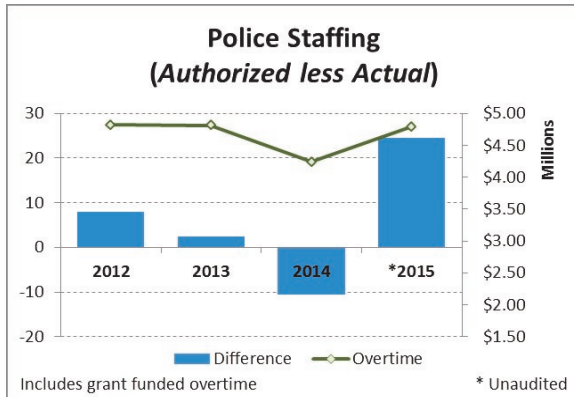
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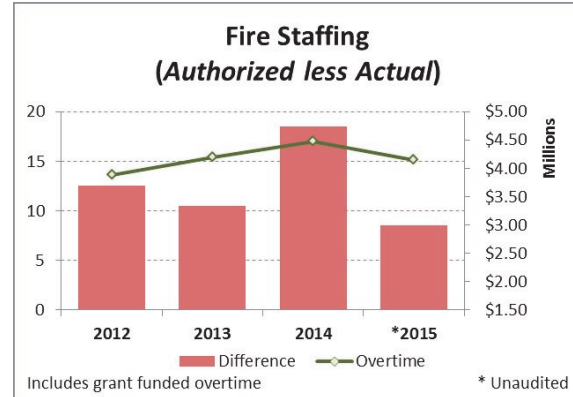
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Trends for Police and Fire overtime were as follows:

For 2009 through 2015, overtime for sworn personnel increased from \$3.6 million to \$8.9 million annually. Overtime was generally higher when there were vacant positions (authorized positions higher than actual filled positions.).



Police Staffing	2012	2013	2014	2015
Authorized Positions	637	635	659	683
Average Actual Positions	629	632.5	669.5	658.5
Overtime (millions)	\$4.54	\$4.52	\$3.99	*\$4.49



Fire Staffing	2012	2013	2014	2015
Authorized Positions	413	427	427	424
Average Actual Positions	400.5	416.5	408.5	415.5
Overtime (does not include scheduled overtime)	\$3.88	\$4.19	\$4.48	*\$4.15

We noted a small group of 19 sworn employees with significant overtime on a consistent basis over the last several years. On average, 30% of their total compensation for 2014 was the result of overtime, with one employee having 50% of his salary in overtime pay. Of the 19 employees, one was a Police employee, and the remaining 18 were Fire employees. Fire personnel worked a 56 hour week that included scheduled overtime. If additional staffing was needed for minimum staffing requirements, employees could volunteer for additional shifts as needed (known as hireback).

*Fire Management Comments: Fire management stated that the cause of overtime for these individuals was not enough personnel in certain promoted ranks. Fire management also stated that hireback time was voluntary, unless no individuals volunteer to work, then it became mandatory. Per Fire management, individuals who sign up to work were called in the order they appear on a list every shift. Typically only 1/3 of employees routinely sign up for overtime, 1/3 will work if needed, and 1/3 would not work unless mandated.*

Fire Paramedic Positions	2012	2013	2014	2015
Actual (7/1)	72	71	69	70
Actual (12/31)	71	71	72	71
Average Actual	71.5	71	70.5	70.5
Authorized	83	83	83	83

Emergency Incidents (per 10,000 population)	2009	2010	2011	2012	2013	2014
	1120	1179	1266	1272	1284	1340

The number of actual employees in the Fire Paramedic position has consistently been below authorized levels. The number of authorized positions has remained at 83 since 2012; however, each year there were about 70 employees in the Fire Paramedic position.

*Fire Department management comments: The Fire Department is aware of the understaffing of fire paramedics and that it is a concern nationwide in the fire service. The Department has explored reasons for the understaffing and has been working on action plans.*

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### **Observation 1**

Seasonal employees were not removed from the payroll system when seasonal employment ended. This practice was in place to minimize the administrative time and expense to remove, then process the re-hire of seasonal workers.

Employees remaining on the payroll created a control weakness that could result in erroneous payments to seasonal employees. The risk was mitigated in part, by budgetary controls in place. Controls should be developed which improve the control environment while promoting an efficient onboarding process.

### **Management Response**

Management agrees with this recommendation and although risk is low, will implement compensating controls. The onboarding software implementation will make it more efficient to terminate employees after seasonal employment, once fully implemented.

### **Recommendation**

The City should:

- Remove seasonal employees from the payroll system when seasonal employment ends or
- Put in place compensating controls to prevent erroneous payments to seasonal employees.

### **Observation 2**

One City employee was able to perform key system functions related to Human Resources, as well as Payroll related responsibilities.

A control weakness existed because this employee's system permissions allowed adding a new employee to the payroll system, entering and approving timesheets, and processing payroll. The risk was mitigated in part, by budgetary controls in place.

### **Management Response**

Management agrees with this recommendation and the employee's payroll update access will be removed.

### **Recommendation**

The City should change system permissions so that one employee is not able to perform all steps of the payroll process.