CITY OF MIAMI
OFFICE OF INDEPENDENT AUDITOR GENERAL

AUDIT OF PAYROLL TRANSACTIONS
PROCESSED THROUGH THE KRONOS
TIME RECORDING SYSTEM

AUDIT REPORT NO. 010-009

Prepared By
Office of Independent Auditor General

Victor I. Igwe, CPA, CIA
Independent Auditor General

CORAL VIVOLO, STAFF AUDITOR
April 08, 2010

Honorable Members of the
City Commission
City of Miami
3500 Pan American Drive
Coconut Grove, FL 33133-5504

Re: Audit of Payroll Transactions Processed through the Kronos Time Recording System
Audit No. 10-009

Pursuant to the authority set forth in Section 48 of the City of Miami’s Charter, titled “Office of the Independent Auditor General,” and in accordance with the Fiscal Year 2009/2010 Audit Plan, we have conducted an audit of payroll transactions processed through the Kronos time recording system. The Kronos System is used to record time and attendance, only in General Services Administration (GSA), Solid Waste (SW), Parks and Recreation (P&R), and Police Departments. Our audit focused on employees’ daily time recording input in Kronos and the subsequent interface with the Moore/Oracle payroll systems.

The report provides several recommendations we believe will assist GSA, SW, P&R and Police Departments in strengthening management controls. Our findings and recommendations have been reviewed with the Directors and/or members of the management of the four departments that utilize Kronos time recording system and their written responses to our recommendations are included in the report. We would like to acknowledge their professional courtesy and cooperation during our audit.
Sincerely,

Victor Igwe, CPA, CIA
Independent Auditor General
Office of the Independent Auditor General

C: The Honorable Mayor Tomas Regalado
Carlos A. Migoya, Chief Administrator/City Manager
Members of the Audit Advisory Committee
Larry M. Spring, Assistant City Manager/Chief Financial Officer
Peter W. Korinis, Chief Information Officer, Information Technology Department
Julie O. Bru, City Attorney, City Attorney's Office
Director, General Services Administration Department
Barbara Pruitt, Director, Solid Waste Department
Ernest Burken, Director, Parks and Recreation Department
Miguel Exposito, Chief, Miami Police Department
Priscilla A. Thompson, City Clerk, City Clerk's Office
Michelle Pina, Ph.D., Interim Director, Employee Relations Department
Diana M. Gomez, CPA, Director, Finance Department
Audit Documentation File
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INTRODUCTION

The City of Miami (City) employs approximately 4,000 personnel. City payroll records indicate that approximately $365 million, $416 million, $424 million and $463 million of salaries and fringe benefits (including health and life insurance, worker’s compensation, and pension) were processed and disbursed to employees during the fiscal years ended September 30, 2006, September 30, 2007, September 30, 2008 and September 30, 2009 respectively.

The Employee Relations (ER) Department is responsible for planning, directing and administering the City’s comprehensive human resources program for civil service, unclassified and temporary employees. The ER’s responsibilities during the audit period include Employment, Records Maintenance, Testing and Validation, Classification and Pay, Equal Employment Opportunity/Diversity Programs, Training and Organization Development, Employee Assistance Programs, Payroll Support Services and Labor Relations. The department is required to manage all personnel activities based on policies and procedures developed in accordance with the City Commission mandates, labor agreements, Civil Service Rules and Regulations, federal and state and local legislation.

Our audit focused on payroll transactions processed through the Kronos System (Kronos) during the period October 1, 2005 through September 30, 2009 (and selected transactions prior and subsequent to this audit period). As such, we were concerned with the four (4) City departments utilizing the Kronos System, namely, General Services Administration (GSA), Solid Waste (SW), Parks and Recreation (P&R) and Police Departments. The information below was taken from the Fiscal Year 2009 Adopted Budget Book.

- **General Services Administration Department**

  The General Services Administration (GSA) Department employs approximately 170 individuals. The GSA department consists of 6 divisions that provide internal service support
in the areas of administration, heavy and light fleet management, property maintenance, radio communication, graphic reproductions, and Miami Riverside Center facility management.

- **Solid Waste Department**

  The Solid Waste Department (SWD) employs approximately 242 individuals. The department has three divisions responsible for providing picking-up of garbage, trash, bulky waste and recyclables from over 69,000 residences in the City of Miami. This SWD is also responsible for cleaning the City’s right-of-ways, servicing over 700 containers on sidewalks, removing dead animals, and conducting clean-up operations of special events.

  Also, the SWD administers the Commercial Solid Waste Franchise Agreements between the City of Miami and private hauling companies. This agreement governs the operation of commercial solid waste collection services in the City.

- **Parks and Recreation Department**

  The Parks and Recreation Department (PRD) employ approximately 239 individuals. The primary services include the operation of all City parks and swimming pools year-round, comprehensive recreation, art, music, and education programs; cultural activities and leisure opportunities for all age groups. Special services include child day care, preschool centers, summer camps, programs for the disabled, senior citizen programs, educational summer programs, after-school technology programs and a music and film series.
• Police Department

The Miami Police Department (MPD) is a full service law enforcement agency. It is oriented towards community policing, serving a large metropolitan population. The MPD’s mission is to make the City of Miami a place where all people can live, work and visit safely without fear. The MPD employs over 1,300 sworn and civilian employees comprise of five (5) Divisions:

1. Office of the Chief is responsible for establishing, directing and ensuring the execution of overall police functions, coordinating the necessary and proper interaction with other City departments, as well as, other community agencies and various components of the Criminal Justice System.

2. Internal Affairs Division (IA) ensures the integrity of the Miami Police Department and to protect the public through the fair, thorough, and proactive investigations of alleged police or City employee misconduct.

3. Field Operations Division (FOD) responds to all citizens’ emergency and non-emergency requests for service; coordinates the community policing program (NET), provides police patrol, response to calls for service, traffic enforcement, conducts tactical crime suppression operations, patrol support, and initiates and implements various Community Involvement Programs. This Division oversees a group of more 700 highly trained sworn individuals that serve and protect the community by patrolling the North, Central and South districts.

4. Criminal Investigations Division manages the resources required to provide for a comprehensive range of investigative and investigative support services, including gathering of evidence found at crime scenes, which lead to the detection, apprehensions and prosecution of criminals. This division encompasses both Criminal Investigations and Special Investigations.

5. Administration Division coordinates the effective management of the department’s fiscal resources; ensures adequate qualified, trained personnel and proper resources;
coordinates new strategies and plans for future projected demands on police operations and services; coordinates the installation and maintenance of computer equipment and systems; and provides for the receipt, storage and final disposition of evidence and property items; and is responsible for the acquisition of, and assignment of the police fleet and equipment.

Kronos “is a software system that is designed to collect timekeeping information” and was used during the audit period to record time and attendance for all employees in the four (4) departments discussed above. Kronos was implemented in GSA, SWD and P&R departments in February 2004 and at the MPD in June 2006. However, in December 2006, the MPD discontinued the use of Kronos for tracking time and attendance due to issues with the system that resulted in employees being over/underpaid (e.g. MPD employees were inappropriately paid for holidays).

Kronos is a time input system and not a payroll system. Therefore, in order for employees (whose time is recorded in Kronos) to be compensated, the Kronos system must interface with the Citywide payroll system (Moore/Oracle). The Moore System (Moore) was used during the audit period to accumulate and process payroll transactions. Moore was purchased and implemented in March 1990 and approximately three (3) years after the purchase, the City acquired the source code, which provided the City with the ability to modify said application on its own. Over time, however, the Moore System became out-dated and did not allow for computerized processing of various complex payroll transactions. In recognition of these issues, the City implemented a new payroll system-Oracle. The new Oracle went live in June 2009.
OBJECTIVES AND SCOPE

The audit was performed pursuant to the authority set forth in Section 48 of the City’s Charter titled, “The Office of the Independent Auditor General”, and it was conducted in accordance with Fiscal Year 2009/2010 Audit Plan. The primary audit objectives of our audit of the payroll transactions processed through the Kronos system are as follows:

- To assess the effectiveness of the internal control system relative to transactions processed through Kronos.
- To evaluate Kronos records maintained in the Parks and Recreation, Solid Waste, Police, and General Services Administration Departments, relative to time, attendance, payroll processing, and disbursing of payroll checks.
- To determine whether selected transactions and disbursements were processed in accordance with Labor Union Agreements, the Fair Labor Standards Act, and other applicable guidelines.
- To determine whether salaries, salary adjustments, and other supplemental payments were properly calculated, authorized, disbursed, and reported.
- To determine whether the Employee Relations and/or the Finance Departments have corrected, or are in the process of correcting, any deficiencies noted in prior audits.

This audit focused on the examination of time and attendance and other payroll and related financial transactions and operations for compliance with applicable labor union agreements, Civil Service Rules, City Code and Fair Labor Standards Act provisions, and other applicable guidelines/regulations. In addition to obtaining a basic understanding of the Employee Relations, GSA, SWD, P&R and MPD systems of internal control and assessing control risk necessary to plan the audit, an evaluation of selected controls were made.
METHODOLOGY

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence in order to provide a reasonable basis for our findings and conclusion based on our objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit methodology included the following:

- Obtained an understanding of internal controls by interviewing appropriate personnel, reviewing applicable written policies and procedures, and making observations to determine whether prescribed controls had been placed in operation.
- Determined the nature, timing and extent of substantive tests necessary and performed the required substantive tests.
- Determined compliance with the City’s Pay Policy (APM 5-78), Labor Union Agreements, Fair Labor Standards Act, and other guidelines.
- Drew conclusions based on the results of the testing, made corresponding recommendations, and obtained the auditee’s responses and corrective actions plans.
CONCLUSIONS AND SUMMARY OF FINDINGS

GENERAL SERVICES ADMINISTRATION, SOLID WASTE, PARKS/RECREATION, AND POLICE DEPARTMENTS

OVERTIME IMPROPERLY PAID FOR HOURS NOT WORKED AND/OR NOT AUTHORIZED

We reviewed a sample of daily Kronos timecards at the General Services Administration, Solid Waste, Parks and Recreation, and Police Departments to determine whether employees were properly compensated (i.e. correct hourly rate, overtime rate, and hours worked) during the pay period tested. Our test of the employees’ Kronos timecards in each department disclosed the following discrepancies:

- General Services Administration Department – Fifty-six (56) employees were over paid approximately $6,100. Said employees were paid for overtime they did not physically work; vacation, sick leave, and holidays were included in the total hours used to determine whether the employees worked in excess of 40 hours in a work week to merit overtime payment, contrary to FLSA provisions and City’s Administrative Policy Manual. Also, the supporting documents authorizing overtime for six (6) employees were not provided for our review.

- Solid Waste Department – Eighty (80) employees were over paid approximately $9,500. Said employees were paid for overtime they did not physically work; incentive hours, vacation, sick leave, and holidays were included in the total hours used to determine whether the employees worked in excess of 40 hours in a work week to merit overtime payment. Additionally, one (1) employee was not properly compensated for time worked during a holiday. Also, we noted that some or all of the overtime supporting documents (overtime slips) for nine (9) employees were not provided for our review.

- Parks and Recreation Department – Fifty (50) employees were over paid approximately $3,100. Said employees were paid for overtime they did not physically work; vacation, sick leave, and holidays were included in the total hours used to determine whether the
employees worked in excess of 40 hours in a work week to merit overtime payment. Also, the supporting documents authorizing overtime for six (6) employees were not provided for review.

- Miami Police Department – Ten (10) employees (applies only to civilians) were overpaid approximately $1,400. Said employees were paid for overtime they did not physically work; vacation, sick leave, and holidays were included in the total hours used to determine whether the employee worked in excess of 40 hours in a work week to merit overtime payment. Additionally, the supporting documents authorizing 0.70 hours of overtime for one (1) employee was not provided for our review.

As a result, employees were paid for overtime not physically worked. Given the tenuous budget/financial condition of the City and the materiality of overtime costs routinely incurred Citywide, the City should take immediate steps (including re-opening bargaining agreements) to discontinue paying for overtime costs that it is not obligated to pay for.

Refer to the detailed audit findings and recommendations on pages 14 through 21.
GENERAL SERVICES ADMINISTRATION, SOLID WASTE, PARKS/RECREATION, AND POLICE DEPARTMENTS

KRONOS DAILY TIME RECORDING (USE OF BIOMETRICS/TELETIME FUNCTIONS OF THE SYSTEM)

We performed a test to determine whether employees were properly using the Kronos System (the biometrics/teletime functions of Kronos) to record their daily attendance. Our audit test disclosed the following discrepancies:

- General Services Administration (GSA) – Our test of 90 employees’ Kronos Timecards disclosed that two (2) or 2% of the employees tested did not record time in and/or out for one or more days during the pay period tested as required.
- Solid Waste Department (SWD) – No exceptions were noted.
- Parks and Recreation Department (P&R) – No exceptions were noted.
- Miami Police Department (MPD) – The MPD discontinued the use of the Kronos system for tracking time and attendance in December 2006 due to various issues with the system, as discussed on page 11. However, our test of 60 employees’ payroll records in the MPD during the period June 2006 through December 2006 when all employees signed in and out using the biometrics function of Kronos, disclosed that 5 employees were improperly paid.

As a result, employees may have been inappropriately paid for regular time and leave balances may not have been properly adjusted.

Refer to the detailed audit findings and recommendations on pages 22, 32, and 33.
GENERAL SERVICES ADMINISTRATION, SOLID WASTE, PARKS/RECREATION, AND POLICE DEPARTMENTS

LACK OF EVIDENCE OF SUPERVISORY REVIEW OF TIME AND ATTENDANCE RECORDS

We reviewed a sample of daily Kronos timecards at the General Services Administration, Solid Waste, Parks and Recreation, and Police Departments to determine whether there was evidence of supervisory review of the employees’ Kronos timecards prior to the interface with the Moore/Oracle. Our review of 60 employees’ timecards in each department disclosed the following:

- GSA – The timecards of the 60 employees reviewed did not have any evidence of review.
- SWD – The timecards of the 60 employees reviewed did not have any evidence of review.
- P&R – The timecards of the 60 employees reviewed did not have any evidence of review.
- MPD – No exceptions were noted.

As a result, there is a high risk that the information contained in the Kronos timecard could be changed since the employees responsible for editing the time records in Kronos, were also responsible for reviewing and approving the entries.

Refer to the detailed audit findings and recommendations on pages 23 through 25.
GENERAL SERVICES ADMINISTRATION, SOLID WASTE, PARKS/RECREATION, AND POLICE DEPARTMENTS

SHIFT DIFFERENTIAL BENEFITS WERE NOT PROPERLY PAID

We reviewed a sample of daily Kronos timecards at the General Services Administration, Solid Waste, Parks and Recreation, and Police Departments to determine whether employees had been properly compensated (i.e. correct hourly rate, correct amount of hours) during the pay period tested. Our review of 60 employees’ timecards in each department disclosed the following:

- GSA – 5 of the 60 employees tested were not properly compensated. Said employees, did not receive the correct amount of shift differential payment.
- SWD – No exceptions were noted.
- P&R – 1 of the 60 employees tested was not properly compensated. Said employee, did not receive the correct amount of shift differential payment.
- MPD – No exceptions were noted.

Refer to the detailed audit findings and recommendations on pages 26 and 27.
PARKS AND RECREATION DEPARTMENT

DISCREPANCIES BETWEEN HOURS WORKED AND PAID

We reviewed a sample of daily Kronos timecards at the Parks and Recreation Department to determine whether the hours worked by the employee, as recorded in the Kronos System, matched the hours processed in the Moore/Oracle Systems and disbursed as payroll checks. Our review of 90 employees’ timecards disclosed that six (6) employees were not properly compensated thus, resulting in over or underpayments during the pay period tested. For said employees, the total hours as recorded in the Kronos system did not match the hours paid in the Moore/Oracle systems.

Refer to the detailed audit findings and recommendations on pages 28 and 29.
POLICE DEPARTMENT

IMPROPER PAYMENT TO EMPLOYEES DURING HOLIDAYS PERIOD

When the Kronos System interfaced with the Moore Payroll System at the Miami Police Department (MPD) it automatically added extra hours for the holiday and in cases where the holiday fell on the employee's off day or if the employee worked during the holiday, it duplicated the hours and/or calculated the holiday hours as additional overtime. This discrepancy occurred during the period June 2006 through December 2006 when all employees signed in and out by imprinting their fingerprints (biometrics function) on the Kronos system screen. At the audit entrance conference meeting, we were informed that the MPD was in the process of manually reviewing the MPD’s payroll records to determine the extent of the over/under payments. As of the date of this audit report, said review has not been completed and we have not been provided with the final outcome of this manual review, as requested.

As part of the audit procedures for this audit engagement we selected and tested a sample of 60 employees’ payroll records for pay periods with paid holidays during the period June 2006 through December 2006. Our audit tests determined that 22 employees were incorrectly paid for regular, holiday and overtime hours, thus resulting in underpayments ranging from $3.43 to $384 per pay period; and overpayments ranging from $109.09 to $2,202.01 per pay period. The total underpayment was $1,010.63 and the total overpayment was $8,948.22 for the sample tested.

Refer to the detailed audit findings and recommendations on pages 30 and 31.
AUDIT FINDINGS AND RECOMMENDATIONS

GENERAL SERVICES ADMINISTRATION, SOLID WASTE, PARKS/RECREATION, AND POLICE DEPARTMENTS

OVERTIME IMPROPERLY PAID FOR HOURS NOT WORKED AND/OR NOT AUTHORIZED

Administrative Procedures Manual (APM) 5-78, (Section S.3.), titled City of Miami Pay Policy stipulates that: “overtime and holiday pay for bargaining unit employees shall be authorized and compensated in accordance with existing labor agreements and the Fair Labor Standards Act overtime provisions.” The Fair Labor Standards Act (FLSA) provides that all covered, nonexempt employees who work more than 40 hours in the work week must receive at least one and one-half times their regular rate of pay for the overtime hours (hours worked over 40 in a work week). The following scenario (example) will not constitute overtime, according to the guidelines issued by the U.S. Department of Labor, Wage and Hour Division, under “Questions and Answers about the FLSA;”:

“For example, say you work a typical five-day, 40 hour work week. In that week, you go to work for 3 days (24 hours), take a paid sick day (8 days), and then work another day (10 hours). Even though you’ll get paid for 42 hours, the two extra hours worked on day 5 will not count as overtime under the FLSA. That is so because your hours of work only equal 34 hours, and typically overtime doesn’t kick-in under the FLSA until you’ve worked over 40 hours in a work week.”

Our test of employees’ Kronos timecards and related overtime payroll records disclosed the following payroll over payments and discrepancies:
Our test of 60 employees’ payment records disclosed that 13 (or 22%) of the employees tested were improperly paid. Contrary to the example shown on page 14, vacation, sick leave and holidays (time offs) hours were included in the total hours used to determine whether eleven (11) employees worked in excess of 40 hours in a work week to merit overtime payment. Said eleven (11) employees were over paid for overtime they did not physically work. Additionally, the supporting documents for some or all of the overtime worked by 6 of the 13 exceptions noted were not provided. The resulting overpayments for one pay period tested were as follows:

<table>
<thead>
<tr>
<th>#</th>
<th>Employee Title</th>
<th>Overpayment/ (Underpayment)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Auto Mechanic</td>
<td>$51.49</td>
</tr>
<tr>
<td>2</td>
<td>Comm. Technician</td>
<td>228.14</td>
</tr>
<tr>
<td>3</td>
<td>Heavy Equip. Mechanic</td>
<td>110.88</td>
</tr>
<tr>
<td>4</td>
<td>Comm. Repair Worker</td>
<td>179.58</td>
</tr>
<tr>
<td>5</td>
<td>Heavy Equip. Mechanic</td>
<td>103.36</td>
</tr>
<tr>
<td>6</td>
<td>Auto Mechanic Supervisor</td>
<td>160.04</td>
</tr>
<tr>
<td>7</td>
<td>Custodian I</td>
<td>54.31</td>
</tr>
<tr>
<td>8</td>
<td>Heavy Equip. Mechanic Supervisor</td>
<td>921.58</td>
</tr>
<tr>
<td>9</td>
<td>Heavy Equip. Mechanic</td>
<td>297.41</td>
</tr>
<tr>
<td>10</td>
<td>Heavy Equip. Mechanic</td>
<td>87.07</td>
</tr>
<tr>
<td>11</td>
<td>Heavy Equip. Mechanic Helper</td>
<td>200.87</td>
</tr>
<tr>
<td>12</td>
<td>Auto Mechanic</td>
<td>128.19</td>
</tr>
<tr>
<td>13</td>
<td>Facility Maintenance Tech</td>
<td>57.14</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$2,580.06</td>
</tr>
</tbody>
</table>

As a result of the deficiencies noted during our initial audit test as noted above, additional test was performed to determine whether vacation, sick leave and holidays were included in the total hours used to determine whether the employee worked in excess of 40 hours in a work week to merit overtime payment. Our test of a sample 45 payroll transactions relative to employees who earned paid leave and overtime payments during a single pay period...
disclosed that 45 or 100% of the employees tested were improperly paid for overtime they
did not physically work. Leave hours (vacation, sick time, holidays, etc.) were incorrectly
included in the total hours used to determine whether an employee worked in excess of 40
hours in a work week. As a result, overtime related overpayments ranged from $5.17 to
$257.82 per pay period, for a total of approximately $3,509.

Please note there are a total of 26 pay periods in one fiscal year. If a sample of 45 GSA
employees earned paid leave and overtime payments during one pay period and were
overpaid by $3,509, as stated above; then the total amount of overpayment would be much
higher for all overtime eligible employees in the GSA Department for the entire audit period
(104 = 26 x 4 pay periods).

SOLID WASTE DEPARTMENT

• Pursuant to Article 36 titled “Incentive Work Plan” of the AFSCME Local 871 bargaining
unit agreement, “bargaining unit personnel assigned to Garbage, Recycling, Street Cleaning,
and Rubbish Collection may be placed on an incentive basis whereby once the assigned route
has been certified by the Department of Solid Waste Director, or designee, as being
completed, the applicable personnel may be relieved from their tour of duty for the day. The
City reserves the right to require the employee to work the full shift based upon the needs of
the department.”

Our test of 90 employees’ payment records disclosed that 29 (or 32%) of the employees
tested were improperly paid. Twenty-six (26) employees were paid for overtime they did not
physically work (incentive hours, vacation time-off, sick leave and holidays were included in
the total hours used to determine whether the employee worked in excess of 40 hours in a
work week to merit overtime payment). Additionally, our audit test determined that the
supporting documents for some or all of the overtime worked by nine (9) employees tested
were not provided for our review. Also, one employee did not receive the correct amount of
overtime pay. Said employee worked during a holiday but instead of being paid at the overtime rate the employee was paid at the regular pay. The resulting over/under payments for one pay period is as follows:

<table>
<thead>
<tr>
<th>#</th>
<th>Employee Title</th>
<th>Overpayment/ (Underpayment)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Waste Collector Operator II</td>
<td>$61.08</td>
</tr>
<tr>
<td>2</td>
<td>Waste Collector, Garbage</td>
<td>10.42</td>
</tr>
<tr>
<td>3</td>
<td>Waste Collector, Garbage</td>
<td>146.01</td>
</tr>
<tr>
<td>4</td>
<td>Laborer Crew Leader I</td>
<td>447.20</td>
</tr>
<tr>
<td>5</td>
<td>Waste Collector Operator I</td>
<td>2.43</td>
</tr>
<tr>
<td>6</td>
<td>Waste Collector Aide</td>
<td>8.39</td>
</tr>
<tr>
<td>7</td>
<td>Waste Collector, Garbage</td>
<td>35.83</td>
</tr>
<tr>
<td>8</td>
<td>Waste Collector Operator II</td>
<td>18.49</td>
</tr>
<tr>
<td>9</td>
<td>General Laborer</td>
<td>8.73</td>
</tr>
<tr>
<td>10</td>
<td>Sanitation Supervisor</td>
<td>(41.56)</td>
</tr>
<tr>
<td>11</td>
<td>Waste Collector Aide</td>
<td>6.77</td>
</tr>
<tr>
<td>12</td>
<td>Waste Collector Operator II</td>
<td>21.28</td>
</tr>
<tr>
<td>13</td>
<td>Waste Collector, Garbage</td>
<td>6.96</td>
</tr>
<tr>
<td>14</td>
<td>Waste Collector, Garbage</td>
<td>17.68</td>
</tr>
<tr>
<td>15</td>
<td>Waste Collector Operator II</td>
<td>15.27</td>
</tr>
<tr>
<td>16</td>
<td>Waste Collector Operator I</td>
<td>41.11</td>
</tr>
<tr>
<td>17</td>
<td>Waste Collector Operator I</td>
<td>51.48</td>
</tr>
<tr>
<td>18</td>
<td>Waste Collector Operator II</td>
<td>54.97</td>
</tr>
<tr>
<td>19</td>
<td>Waste Collector, Garbage</td>
<td>27.08</td>
</tr>
<tr>
<td>20</td>
<td>Waste Collector Operator II</td>
<td>230.98</td>
</tr>
<tr>
<td>21</td>
<td>Waste Collector Operator II</td>
<td>481.50</td>
</tr>
<tr>
<td>22</td>
<td>Waste Collector Operator I</td>
<td>136.16</td>
</tr>
<tr>
<td>23</td>
<td>Waste Collector Operator I</td>
<td>17.48</td>
</tr>
<tr>
<td>24</td>
<td>WASTE COL OP II</td>
<td>24.18</td>
</tr>
<tr>
<td>25</td>
<td>WASTE COLLECTOR-GARBG</td>
<td>388.46</td>
</tr>
<tr>
<td>26</td>
<td>WASTE COL OP I</td>
<td>6.05</td>
</tr>
<tr>
<td>27</td>
<td>WASTE COL OP I</td>
<td>297.38</td>
</tr>
<tr>
<td>28</td>
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<td>5.02</td>
</tr>
<tr>
<td>29</td>
<td>WASTE COL OP I</td>
<td>6.02</td>
</tr>
</tbody>
</table>

$2,532.85

As a result of the deficiencies noted during our testing above, a test was specifically performed to determine whether incentive time, vacation, sick leave and holidays were included in the total hours used to determine whether the employee worked in excess of 40
hours in a work week to merit overtime payment. Our test of a sample 54 payroll transactions relative to employees who earned paid leave and overtime payments during a single pay period disclosed that all 54 or 100% of the employees tested were improperly paid for overtime they did not physically work. Leave hours (vacation, sick time, holidays, etc.) and/or incentive hours were incorrectly included in the total hours used to determine whether an employee worked in excess of 40 hours in a work week to merit overtime payment. As a result, overtime related overpayments ranged from $2.22 to $874.02 per pay period, for a total of approximately $6,950.

As noted above there are 26 pay periods in one fiscal year. If a sample of 54 SWD employees earned paid leave and overtime payments during only one pay period and were overpaid by $6,950; the total amount of overpayment would be much higher for all overtime eligible employees in the SWD for the entire audit period (104 = 26 x 4 pay periods).

PARKS AND RECREATION DEPARTMENT

- Our audit test of 60 employees’ payment records disclosed that six (6) of the employees tested were improperly paid. Five (5) employees were paid for overtime that they did not physically work; vacation, sick leave and holidays were included in the total hours used to determine whether the employee worked in excess of 40 hours in a work week to merit overtime payment. As a result, overtime related overpayments ranged from $43.41 to $261.90 per pay period, for a total of approximately $827.00. Additionally, the supporting documents for the overtime worked by the six (6) employees (including the 5 mentioned above) were not provided for our review.

A test was specifically performed to determine whether vacation, sick leave and holidays were included in the total hours used to determine whether the employee worked in excess of 40 hours in a work week to merit overtime payment. Our additional test of a sample 45 payroll transactions relative to employees who earned paid leave and overtime payments
during a single pay period disclosed that all 45 or 100% of the employees tested were improperly paid for overtime they did not physically work. Leave hours (vacation, sick time, holidays, etc.) were incorrectly included in the total hours used to determine whether an employee worked in excess of 40 hours in a work week. As a result, overtime related overpayments ranged from $0.43 to $146.66 per pay period, for a total of approximately $2,295.

As noted above there are 26 pay periods in one fiscal year. If a sample of 45 P&R employees tested earned paid leave and overtime payments during one pay period and were overpaid by $2,295; the total amount of overpayment would be much higher for all overtime eligible employees in the P&R Department for the entire audit period (104 = 26 x 4 pay periods).

**POLICE DEPARTMENT**

- Our review of a sample of 60 employees disclosed that 10 employees tested were improperly paid for overtime they did not physically work. Leave hours (vacation, sick time, holidays, etc.) were incorrectly included in the total hours used to determine whether an employee worked in excess of 40 hours in a work week to merit overtime payment. As a result, the overtime related overpayments ranged from $42.72 to $254.02 per pay period and a total of $1,370.26 for 10 of the 60 employees tested.

In response to audit inquiry, the above departments sought guidance from the Employee Relations/Labor Relations department regarding the applicability of the FLSA guidelines relative to the above audit findings. The Employee Relations Department in turn requested a legal opinion that concluded:

*If the City has in the past paid time and a half for all hours worked beyond 40 hours to employees regardless of the fact that all hours were not actually worked because*
of the above scenario, the City cannot unilaterally cease paying overtime without impacting bargaining...

The only circumstances which would permit a public employer to unilaterally change a mandatory subject of bargaining, or a matter which impacts upon such a subject, without negotiations are clear and unmistakable waiver, exigent circumstances, and impasse resolution. See complete legal opinion on pages 53 through 55.

However, based on the results of our audit tests, as noted above, it is apparent that leave hours (vacation, sick time, holidays, and incentive pay hours) were incorrectly included in the total hours used to determine whether an employee worked in excess of 40 hours in any work week City-wide to merit overtime payment. Therefore, by including leave hours in calculating overtime hours worked, the City incurred additional overtime payroll costs not provided in bargaining unit negotiations. The total amounts of overtime expenditures incurred City-wide during the audit period are as follows:

<table>
<thead>
<tr>
<th>Fiscal Year Ended 09/30/06</th>
<th>$16,393,363.90</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Year Ended 09/30/07</td>
<td>$14,026,478.64</td>
</tr>
<tr>
<td>Fiscal Year Ended 09/30/08</td>
<td>$16,811,891.36</td>
</tr>
<tr>
<td>Fiscal Year Ended 09/30/09</td>
<td>$13,074,450.24</td>
</tr>
</tbody>
</table>

$60,306,184.14

Given the tenuous budget/financial condition of the City and the materiality of overtime costs incurred City-wide, the City should take immediate steps (including re-opening bargaining agreements) to discontinue paying for payroll costs that it is not obligated to pay for.
Recommendation:

In order to properly control the cost of overtime worked by City employees, we recommend that the departments enforce that overtime authorization be obtained prior to overtime being worked.

With respect to those employees who earned paid leave and overtime payments during a single pay period and were thus paid for overtime they did not physically work, we recommend that the City take advantage of the allowable exemptions under the FLSA and that this matter be made a part of bargaining unit negotiations. Adjusting the overtime calculation in this manner would result in savings of overtime costs for the City.

Auditee Response and Action Plan:

The legal opinion obtained in connection with these audit findings concluded that if the City had in the past paid time and a half for all hours worked beyond 40 hours to employees regardless of the fact that all hours were not actually worked because of the above scenario, the City cannot unilaterally cease paying overtime without impacting bargaining unit agreement.

See scanned copy of complete written responses for:

GSA on pages 36 through 38 and pages 40 through 45.
SWD on pages 47 through 55.
P&R on pages 66 through 69.
MPD on pages 58 through 59 and page 61.
GENERAL SERVICES ADMINISTRATION

KRONOS DAILY TIME RECORDING (USE OF BIOMETRICS/TELETIME FUNCTIONS OF THE SYSTEM)

Good business practice requires that each employee sign in at the beginning of their shift and sign out at the end of their work day in order to properly account for the time worked and/or any leave taken by the employee. We performed a test to determine whether employees were properly using the Kronos system to record their daily attendance (using the biometrics and teletime functions of the system). Our audit test disclosed the following discrepancies:

In accordance with a memorandum (see page 70) issued by the Employee Relations Director, dated January 12, 2006, exempt and/or job basis employees in the Kronos System will only be required to “punch-in” one-time during the day. Said employees are not required to “punch-out.” According said memorandum the procedure was established after a thorough review of exempt employee status in the Federal Labor Standard Act provisions. Our test of 90 employees’ Kronos Timecards disclosed that two (2) or 2% of the employees (all exempt and/or job basis employees) tested did not record their time-in for one day each during the pay period tested as required.

Recommendation:

We recommend that the GSA department follow the procedures that require all exempt employees to sign in at the beginning of their work day.

Auditee Response and Action Plan:

The auditees concurred with the finding and recommendation. See scanned copy of complete response on pages 34, 35 and 39.
GENERAL SERVICES ADMINISTRATION, SOLID WASTE, AND PARKS/RECREATION DEPARTMENT

LACK OF EVIDENCE OF SUPERVISORY REVIEW OF TIME AND ATTENDANCE RECORDS

Good business practices require each section supervisor to review the time and attendance records for all employees under their supervision. Such review will ensure that only the appropriate hours worked will be processed and paid by the City. Our test of time and attendance records (Kronos timecards) disclosed the following deficiencies:

GENERAL SERVICES ADMINISTRATION (GSA)

- The General Services Administration’s department Rules, Regulation and Policies manual, Section 1.11, stipulates that “each section supervisor is to review time and attendance records for all employees under their supervision.” However, our test of 60 employees’ Kronos Timecards disclosed that none of the sixty (60) Kronos timecards (equivalent to $136,000 of payroll expenditures) tested had evidence of review by a supervisor/director.

Upon audit inquiry, the GSA Department Director disagreed with the audit finding stating that “Kronos does not have an approval process after the time is entered because all approvals are obtained prior to the time being logged by the payroll clerk… At this point, Kronos does not provide for the segregation of duties that you are recommending.”

Although approvals are obtained prior to the time being logged by the payroll clerk, said payroll clerks still have the ability to edit time entries prior to the interface. Therefore, it is the position of the Office of the Independent Auditor General that the department implements a final supervisory review to avoid the risk that time entries may be changed by a payroll clerk and submitted directly to the payroll system for processing.
SOLID WASTE DEPARTMENT (SWD)

- Our test of 60 employees’ Kronos Timecards (equivalent to $101,000 of payroll expenditures) disclosed that none of the sixty (60) timecards had evidence of review by a supervisor/director. Upon audit inquiry, the SWD Department Director concurred with the audit finding and indicated that a weekly Kronos payroll report will be generated, annotating the actual hours worked including overtime, for each employee of the department. Said report will be distributed to each section supervisor for their review and approval prior to the interface between Kronos and the Oracle systems.

PARKS AND RECREATION DEPARTMENT (P&R)

- Our test of 60 employees’ Kronos Timecards disclosed that none of the sixty (60) Kronos timecards (equivalent to $69,100 of payroll expenditures) had evidence of review by a supervisor/director. Upon audit inquiry, the Director of the P&R Department stated that each supervisor reviews employees’ timecards and makes the necessary corrections at the end of each pay period. However, the director noted that a standardized review of all timecards by all supervisors following the corrections and before the interface is a challenge for the Department.

However, absent proper review by a supervisor, there is a high risk that the information contained in the Kronos time cards may be changed to reflect more hours worked, and/or deletion of leave taken; given that those employees responsible for editing the Kronos time records were also responsible for reviewing and approving the time and attendance entries. This demonstrates improper segregation of duties.
**Recommendation:**

We recommend that a final supervisory review be implemented. Such review process could be achieved by printing out and reviewing the timecards after all applicable changes/corrections have been made in the Kronos system by the payroll clerks. Such review should be the last step before the interface with the Oracle payroll system and evidence of such review should be documented and retained for audit.

**Auditee Response and Action Plan:**

As noted above the SWD and the P&R Departments concurred with the audit finding and recommendation; and GSA Department as noted above disagreed with the audit finding.

See scanned copy of complete response for:
- GSA on pages 35, 36, and 41.
- SWD on pages 46, 47, and 50.
- P&R on page 65 and 68.
SHIFT DIFFERENTIAL BENEFITS WERE NOT PROPERLY PAID

Pursuant to Article 24 “Wages” of the AFSCME bargaining unit agreement “a night shift differential of $.60 per hour will be paid to bargaining unit employees who work a regular established shift between the hours of 6:00 p.m. and 8:00 am… Night shift differential will only be paid for hours actually worked during the night shift differential period and will not be paid for any overtime hours.” Our test of employees’ Kronos timecards and related payroll records disclosed the following deficiencies:

GENERAL SERVICES ADMINISTRATION

• Our test of 60 employees’ Kronos timecards and related payroll records disclosed that five (5), or 8% of the employees tested, did not receive the correct amount of night shift wages differential payments. Three (3) employees did not receive shift differential pay for some of the hours actually worked; whereas, two (2) employees received shift differential benefits in excess of what they were entitled to receive.

PARKS AND RECREATION DEPARTMENT

• Our test of 60 employees’ Kronos timecards and related payroll records disclosed that one of the employees tested, did not receive payment for 1.8 hours of shift differential time actually worked.

The discrepancies noted above were caused by the Kronos system, which automatically stops calculating the shift differential pay once an employee works over 80 hours in any pay period. As a
result, the system does not grant employees shift differential pay; although the hours worked were part of the employee’s established shift differential work schedule.

Recommendation:

Although the shift differential pay exceptions noted above were not material, we recommend that the departments work closely with the Payroll and/or the Information Technology Department to correct the shift differential problem inherent in the Kronos System.

Auditee Response and Action Plan:

The GSA and the Park and Recreation Departments concurred with the audit finding and recommendations.

See scanned copy of complete response for:

GSA on pages 36 and 40.
P&R on pages 65, 66, and 68.
PARKS AND RECREATION DEPARTMENT

DISCREPANCIES BETWEEN HOURS WORKED AND PAID

The Kronos time and attendance system records the daily attendance (time in/out) for each employee. Kronos interfaces with the payroll system (Moor e/Oracle) at the end of each pay period and during that process, the data accumulated in the Kronos system are used to calculate and generate payroll checks for employees.

We noted that many employees in the Parks and Recreation department are part time employees who are only allowed to work a maximum of 7 hours a day. Any additional work hours must be approved by the employee’s supervisor. At the time of the interface between Kronos and Moore/Oracle, if an employee worked additional hours (more than 7 hours in a day) and there was no evidence of supervisory approval of the additional hours worked, the payroll clerks will adjust the hours worked down to 7 hours a day. However, when the additional hours worked is subsequently approved by a supervisor, it is then corrected in the Kronos system in the following pay period and processed in the Moore/Oracle systems and disbursed as payroll check.

Our test of 90 employees’ payroll records to determine whether the hours input into the Kronos system matched the hours processed and disbursed as payroll checks through Moore/Oracle systems disclosed that six (6) employees were not properly compensated during the pay period tested. For said employees, the total hours as recorded in the Kronos system did not match the hours paid in the Moore and Oracle systems as follows:

- One (1) employee was underpaid $50.60 (equivalent of 4.4 hours) during the pay period tested.
- One employee was underpaid $7.38 (equivalent of 1 hour) during the pay period tested.
• One (1) employee was underpaid $68.63 (equivalent of 9.3 hours) during the pay period tested. A subsequent correction was made during the following pay periods to properly compensate the employee; however, the employee incorrectly received an additional payment of $19.19.

• One (1) employee was underpaid $4.43 (equivalent of .50 hour) during the pay period tested.

• One (1) employee was underpaid $117.30 (equivalent of 8.8 hours) during the pay period tested. An adjustment was made during the following pay period to properly compensate the employee; however, said adjustment were not properly calculated and the employee was still underpaid $36.80.

• One employee was underpaid $27.64. The employee did not receive the correct amount of overtime, instead received payment for regular hours.

Recommendation:

We recommend that additional hours worked in excess of the stipulated 7 hours a day be approved prior to the interface to avoid discrepancies in pay which can result in over/underpayments to employees.

Auditee Response and Action Plan:

The auditee concurred with the audit finding and recommendation. See auditee’s written response on page 62 through 69.
MIAMI POLICE DEPARTMENT

IMPROPER PAYMENT TO EMPLOYEES DURING HOLIDAY PAY PERIODS

In accordance with Article 20 of the FOP bargaining unit agreement “bargaining unit members performing work on any holidays shall be paid time and one half of their straight time hourly rate or shall be given compensatory time at the rate of time and half but such pay for a holiday worked shall not be paid in addition to overtime pay.” Additionally, in accordance with Article 45 of the AFSCME bargaining unit agreement “employees performing work on any of the holidays shall be paid eight (8) hours of holiday plus actual hours worked at their straight time hourly rate…”

During the preliminary audit entrance conference held in January 2008, in connection with this and other payroll related audit engagements, we were informed by the Police Department (PD) payroll personnel, that the PD had discontinued the use of Kronos System for tracking time and attendance due to various problems inherent in the system, including inappropriate over/under payment when a paid holiday fell within a pay period. When the Kronos System interfaced with the Moore Payroll System extra hours were automatically added for holiday, and in cases where the holiday fell on the employee's off day or if the employee worked during the holiday it duplicated the hours and/or calculated the holiday hours as additional overtime. This discrepancy occurred during the period June 2006 through December 2006 when all employees signed in and out by imprinting their finger prints (biometrics process) on the Kronos System screen. The imprinting of finger prints was discontinued in December 2006 and roll calls were held at the beginning and at the end of each shift in lieu of sign in/out. At the end of each pay period, a payroll clerk manually inputs the hours as reflected on the roll call records into the Kronos system. During the interface process between the Kronos System and the Moore/Oracle system, payroll earnings are calculated and generated for employees.
At the said entrance conference, we were informed that the PD was in the process of manually reviewing the PD’s payroll records to determine the extent of the over/under payments. We requested that the outcome of said review process be provided to us upon completion. However, as of the date of this audit report said review has not been completed and we have been not provided with the final outcome of this manual review, as requested.

As part of the audit procedures for this audit engagement we selected and tested a sample of 60 employees’ payroll records for pay periods with paid holidays during the period June 2006 through December 2006. Our audit tests determined that 22 employees were incorrectly paid for regular, holiday and overtime hours, thus resulting in underpayments ranging from $3.43 to $384.00 per pay period; and overpayments ranging from $109.09 to $2,202.01 per pay period. The total underpayment was $1,010.63 and the total overpayment was $8,948.22 for the sample tested.

**Recommendation:**

We recommend that the Police Department complete the review and determine the extent of the over/underpayments and collect/disburse any payments due from/to employees.

**Auditee Response and Action Plan:**

The auditee agreed with our finding and recommendation and indicated that Police Department is still in process finalizing said review. Upon completion of said review appropriate actions will be taken in connection with any overpayment or underpayment.

See scanned copy of complete response on page 56 through 61.
KRONOS TIME RECORDING AND OVERTIME AUTHORIZATION

The biometrics function of Kronos, which allows all employees to record their time and attendance by imprinting their finger prints on the Kronos computer system, was only used in the Police Department during the period of June 2006 through December 2006.

Good business practice requires that each employee sign in at the beginning of their shift and sign out at the end of their work day. In addition, it also requires that overtime be authorized by the department director or his/her designee in advance. Our test of 60 employees’ payroll records during the period June 2006 through December 2006 when all employees signed in and out using the biometrics function of Kronos, disclosed that 5 employees were improperly paid, thus resulting in total underpayments of $515.12 and total overpayments of $909.74 as itemized below:

- One (1) employee received payment for overtime, however, said overtime was not recorded in Kronos, and no additional support was provided for review. As a result, the employee may have been overpaid $34.89 during the sampled pay period.
- One (1) employee was paid a total of 14.1 hours of overtime; however, only 9.6 hours of supporting authorized overtime slip was provided upon audit inquiry. Said employee was overpaid $222.44 for 4.5 hours of overtime.
- One (1) employee was paid only 4 hours of overtime; however, supporting authorized overtime slip indicated that he worked a total of 13 hours of overtime. Said employee was underpaid $257.97 for 9 hours of overtime worked.
- One (1) employee received payment for an additional 20 hours of regular time he was not entitled to. As a result, the employee was overpaid $652.41 during the sample pay period.
- One (1) employee was underpaid $257.15 for regular and overtime hours. The employee worked during a holiday; however instead of receiving overtime pay, he was paid at the regular hourly rate.
If an employee does not sign in and out each day, then it is possible that he/she could have taken leave time (sick, vacation, LWOP, etc.) that may not have been recorded. As a result, the employee would be inappropriately paid for regular time and his/her leave balance would not be adjusted accordingly.

Also, if overtime is not recorded and approved in the Kronos System or if there is no authorized overtime slip, then it is possible that the employee may receive payment for overtime that was not actually worked and/or not authorized.

**Recommendation:**

We recommend that Police Department enhance its internal control and ensure that all time worked by the employees is properly recorded and overtime is properly authorized and supported.

**Auditee Response and Action Plan:**

The auditee concurred with the audit finding and recommendation and stated that the hours worked are manually input into the Kronos system.

See scanned copy of complete response on page 56 through 61.
Date: September 3, 2009

To: Kelly Barket, Jr. Director
General Services Administration

From: Coral Vivolo, Staff Auditor
Office of Independent Auditor General

Subject: Audit of Payroll Transactions Processed through the Kronos System –
Audit #09-020
Time and Attendance-Authorization and Payment

Dear Mr. Barket:

Pursuant to our ongoing audit of Payroll Transactions Processed through the Kronos System for the period October 1, 2005 through September 30, 2008, and selected transactions prior and subsequent to this period, please confirm or clarify our understanding of the following and provide any additional records and/or documentation by September 17, 2009.

I. Kronos Daily Time Recording

The General Services Administration’s department Rules, Regulation and Policies manual, Section 1.10, stipulates that “all personnel shall punch in at the beginning of their shift and punch out at the end of their work day.” In addition, per discussion with the department’s payroll liaisons, it was indicated that, in cases where there is a Kronos malfunction, or the employee forgets to punch in/out, a form is required to be completed in order to support the missed punch. Our review of 60 employees’ Kronos Timecards disclosed that seven (7) or 12% of the employees tested did not record time in and/or out for one or more days during the pay period tested (see chart below). When an employee fails to sign in and out each day, there is an increased risk that he/she may take leave time-off (sick, vacation, LWOP, etc.) that is not properly recorded.
As a result of the lack of adherence with the departmental *Rules, Regulations and Policies* manual, employees may have been inappropriately paid for regular time and his/her leave balance not reduced.

**Recommendation:**
We recommend that GSA enforces its departmental *Rules, Regulations and Policies* which require that all personnel sign in and out at the beginning and end of their work day.

**Auditee Response and Action Plan:**

☐ I agree; ☐ I disagree. Please initial: [Signature]

Explanation: [Attached response]

II. Lack of Evidence of Review

The General Services Administration’s department *Rules, Regulation and Policies* manual, Section 1.11, stipulates that “each section supervisor is to review time and attendance records for all employees under their supervision.” Our review of 60 employees’ Kronos Timecards disclosed that none of the sixty (60) timecards had evidence of review by a supervisor/director. Therefore, approximately $136,000.00 in gross salaries was disbursed to said 60 employees without the proper supervisory review. Without the proper review by a supervisor, there is a high risk that the information contained in the time cards may be changed to reflect more hours worked, and/or delete leave taken; given that those employees responsible for editing the time records in Kronos, were also responsible for reviewing and approving the entries. This demonstrates improper segregation of duties.

**Recommendation:**
We recommend that GSA enforces its departmental *Rules, Regulations and Policies* and require supervisory review of the timecards.
Auditee Response and Action Plan:

☐ I agree; ☒ I disagree. Please initial: ________________________

Explanation: All attached response

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III. Shift Differential Benefits Were Not Properly Paid

Pursuant to Article 24 "Wages" of the AFSCME bargaining unit agreement “a night shift differential of $0.60 per hour will be paid to bargaining unit employees who work a regular established shift between the hours of 6:00 p.m. and 8:00 a.m. Night shift differential will only be paid for hours actually worked during the night shift differential period and will not be paid for any overtime hours.”

Our review of 60 employees’ payment records disclosed that five (5), or 8% of the employees tested, did not receive the correct amount of shift differential payment. Three (3) employees did not receive shift differential for some of the hours they had actually worked; whereas, two (2) employees received shift differential benefits they were not entitled to. These discrepancies are due to a Kronos system error. Once an employee works over 80 hours in any pay period the Kronos System automatically stops calculating the shift differential. As a result, the system does not grant the employee shift differential pay, although the hours worked are the employee’s established shift differential work schedule. See chart on page 4 showing over/under payments to those employees tested.

Recommendation:
We recommend that GSA work closely with the Payroll and/or the IT department to correct the shift differential problem with the Kronos System.

Auditee Response and Action Plan:

☒ I agree; ☐ I disagree. Please initial: ________________________

Explanation: All attached response

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IV. Overtime Improperly Paid for Hours not Physically Worked and/or not Authorized

The Fair Labor Standards Act (FLSA) provides that all covered, nonexempt employees who work more than 40 hours in the workweek must receive at least one and one-half times their regular
rate of pay for the overtime hours (hours worked over 40 in a workweek). According to the U.S. Department of Labor, Wage and Hour Division, “The FLSA does not require payment for time not worked, such as vacations, sick leave or holidays (Federal or otherwise).”

Good business practice as well as the department of GSA Rules, Regulation and Policies manual, Section 1.04, stipulates that “all overtime must be authorized by the department director or his/her designee in advance.”

Our review of 60 employees’ payment records disclosed that 13 (or 22%) of the employees tested were improperly paid. Eleven (11) employees were paid for overtime they did not physically work; vacation, sick leave and holidays were included in the total hours used to determine whether the employee worked in excess of 40 hours in a work week. While, for six (6) employees, the supporting documents for some or all of the overtime worked were not provided. The resulting overpayments for one pay period were as follows:

<table>
<thead>
<tr>
<th>#</th>
<th>Employee Title</th>
<th>Overpayment/ (Underpayment)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Auto Mechanic</td>
<td>51.49</td>
</tr>
<tr>
<td>2</td>
<td>Comm. Technician</td>
<td>228.14</td>
</tr>
<tr>
<td>3</td>
<td>Heavy Equip. Mechanic</td>
<td>110.88</td>
</tr>
<tr>
<td>4</td>
<td>Comm. Repair Worker</td>
<td>179.58</td>
</tr>
<tr>
<td>5</td>
<td>Heavy Equip. Mechanic</td>
<td>103.36</td>
</tr>
<tr>
<td>6</td>
<td>Auto Mechanic Supervisor</td>
<td>160.04</td>
</tr>
<tr>
<td>7</td>
<td>Custodian</td>
<td>54.31</td>
</tr>
<tr>
<td>8</td>
<td>Heavy Equip. Mechanic Supervisor</td>
<td>921.58</td>
</tr>
<tr>
<td>9</td>
<td>Heavy Equip. Mechanic</td>
<td>297.41</td>
</tr>
<tr>
<td>10</td>
<td>Heavy Equip. Mechanic</td>
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</tr>
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<td>11</td>
<td>Heavy Equip. Mechanic Helper</td>
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</tr>
<tr>
<td>12</td>
<td>Auto Mechanic</td>
<td>128.19</td>
</tr>
<tr>
<td>13</td>
<td>Facility Maintenance Tech</td>
<td>57.14</td>
</tr>
</tbody>
</table>

Based on the results of our testing, we determined that GSA did not properly follow the FLSA guidelines mentioned above. It is possible that the department may have been unaware, or did not have the proper understanding of the guidelines. In addition, GSA did not follow its policy which requires overtime to be authorized prior to being worked.

Recommendation:

In order to properly control the amount of overtime worked by employees, we recommend that GSA enforce its policy which requires that overtime authorization be obtained prior to overtime being worked. In addition, we recommend that GSA take advantage of the allowable exemptions under the FLSA and stop paying overtime on hours not physically worked by employees. Adjusting the overtime calculation in this manner would result in savings of overtime costs for the City.

Auditee Response and Action Plan:
I disagree. Please initial: 

Explanation:

All attached response

Please confirm our understanding by signing on the space provided below and returning this memorandum to us. In the event that you disagree with any of the items listed above, please provide your explanation and attach all supporting documents/records.

Supporting schedules are attached for your reference. If you have any questions, please feel free to contact me at 305-416-2051 or by email at cvivolo@miamigov.com.

Thank you for your attention to this matter.

Mr. Kelly Barket, Jr. Director

Date: 9/30/09
September 18, 2009

Coral Vivolo  
Staff Auditor  
Office of Independent Auditor General  
444 Southwest 2nd Avenue  
Miami, Florida 33130

Subject: Response to Audit of Payroll Transactions Processed through the Kronos System – Audit #09-020

Dear Ms. Vivolo:

I am in receipt of your letter dated September 3, 2009 requesting confirmation or clarification on your understanding of observations noted in your report. I have reviewed your request and the following is the requested justification and information to the best of my knowledge.

The following are GSA’s responses to your observations and recommendations:

1. Kronos Daily Time Recording (Agree)

   All departmental personnel with the exception of executives are required to punch in and out. In the event that an employee forgets to punch, a form is requested from the division to support their presence. This process is currently in place; however, supervisors should be more diligent about verifying employee punches in order to provide paperwork on a timely basis.

   I would like to note that the position of Assistant to the Director was improperly classified as an executive in the system. This correction has since been modified and the affected employee is punching in and out as required.

DEPARTMENT OF GENERAL SERVICES ADMINISTRATION  
1390 NW 20th Street, Miami, FL 33142 / Ph: 305-329-4050 / Fax: 305-329-4055  
Mailing Address: P.O. Box 330798 Miami, FL 33233-0798

OFFICE OF THE INDEPENDENT AUDITOR GENERAL/444 S.W. 2ND AVENUE, SUITE 711/MIAMI, FLORIDA 33130-1910
II. Lack of Evidence of Review

(Disagree)

Supervisors currently review employee timecards. This is how supervisors determine the need for a “Request for Leave” form. Additionally, “Request for Leave” forms are not processed without the signature of the designated supervisor. To say that there is no evidence of review is not accurate. Kronos does not have an approval process after the time is entered because all approvals are obtained prior to the time being logged by the payroll clerk. Additionally, it is important to note that Kronos has an audit trail built in for the purpose of tracking changes made by the payroll clerk. At this point, Kronos does not provide for the segregation of duties that you are recommending.

III. Shift Differential Benefits Were Not Properly Paid

(Agree)

GSA Payroll has begun to manually enter the Shift Differential for all eligible employees. This procedure has been in place as of the pay period ending July 4, 2009. Since this procedure has been in place we have not had any issues that we are aware of where employees have not been paid shift differential properly.

Additionally, GSA will ensure shift differential is paid only to those employee’s whose shift is regularly between the hours of 6PM and 8AM.

IV. Overtime Improperly Paid for Hours not Physically Worked and/or not Authorized

(Partially Agree)

We are in agreement that GSA should continue to enforce the policy that requires overtime authorization to be obtained prior to the overtime being worked. Be advised that this authorization is often in the form of a verbal agreement between the employee and supervisor, the overtime slip is then completed to note the actual overtime worked and submitted to the payroll clerk. No GSA employee would work overtime without the required authorization because this would affect proper overtime payment.

We do not agree that individuals are not eligible to obtain overtime pay for working on holidays. This has been a long standing practice of the City. We will take your
recommendation into consideration and discuss with Employee Relations as to the applicability of the FLSA to the current bargaining unit contract.

In conclusion, it is my intention to correct the issues brought to light by reviewing current standard operating procedures and making revisions as necessary. Should you require further clarification on this matter, do not hesitate to contact me.

Sincerely,

Kelly Barket, Jr.
Director
General Services Administration
Date: October 23, 2009, 2009

To: Kelly Barket, Jr. Director
General Services Administration

From: Coral Vivolo, Staff Auditor
Office of Independent Auditor General

Subject: Audit of Payroll Transactions Processed through the Kronos System – Audit #09-020
Improper Payment of Overtime

Dear Mr. Barket:

Pursuant to our ongoing audit of Payroll Transactions processed through the Kronos System for the period October 1, 2005 through September 30, 2008, and selected transactions prior and subsequent to this period, please confirm or clarify our understanding of the following and provide any additional records and/or documentation by November 2, 2009.

I. Overtime Improperly Paid for Hours not Physically Worked

APM 5-78 City of Miami Pay Policy (Section 5.3.) stipulates “overtime and holiday pay for bargaining unit employees shall be authorized and compensated in accordance with existing labor agreements and the Fair Labor Standards Act overtime provisions.” The Fair Labor Standards Act (FLSA) provides that all covered, nonexempt employees who work more than 40 hours in the workweek must receive at least one and one-half times their regular rate of pay for the overtime hours (hours worked over 40 in a workweek). According to the U.S. Department of Labor, Wage and Hour Division, “The FLSA does not require payment for time not worked, such as vacations, sick leave or holidays (Federal or otherwise).”

Our audit test of a sample of 60 payroll transactions relative to employees who earned paid leave and overtime payments during a single pay period disclosed that 45 or 75% of the 60 employees tested were improperly paid for overtime they did not physically work. Leave hours
(vacation, sick time, holidays, etc.) were incorrectly included in the total hours used to
determine whether an employee worked in excess of 40 hours in a work week. As a result
overtime related overpayments ranged from $5.17 to $257.82 per pay period, for a total of
approximately $3,509.00.

The GSA Department only became aware of the FLSA guidelines relative to overtime as
discussed above, upon audit inquiry.

Recommendation:

We recommend that GSA stop paying overtime on hours not physically worked by employees.
Adjusting the overtime calculation in this manner would result in savings of overtime costs for
the City.

Auditee Response and Action Plan:

☐ I agree; ☑ I disagree. Please Initial:

Explanations

See attached

Please confirm our understanding by signing on the space provided below and returning
this memorandum to us. In the event that you disagree with any of the items listed above,
please provide your explanation and attach all supporting documents/records.

Supporting schedules are attached for your reference. If you have any questions, please
feel free to contact me at 305-416-2056 or by email at cvivolo@miamigov.com.

Thank you for your attention to this matter.

[Signature]

Mr. Kelly Basket, Jr. Director

[Signature]

11/23/09

Date
November 23, 2009

Coral Vivolo  
Staff Auditor  
Office of Independent Auditor General  
444 Southwest 2nd Avenue  
Miami, Florida 33130

Subject: Response to Audit of Payroll Transactions Processed through the Kronos System – Audit #09-020 (Improper Payment of Overtime)

Dear Ms. Vivolo:

I am in receipt of your letter dated October 23, 2009 requesting confirmation or clarification on your understanding of observations noted in your report in reference to improper payment of overtime. I have reviewed your request and the following is the requested justification and information to the best of my knowledge.

The following is GSA’s response to your observation and recommendation:

1. Overtime Improperly Paid for Hours not Physically Worked (Disagree)

As stated in your report the GSA Department was not made aware of the FLSA guidelines relative to overtime until your initial audit report of September 3, 2009. Be advised that GSA staff has participated in payroll training where FLSA guidelines were part of the discussion, however, the applicability of this specific section was not discussed. Additionally, at this point we cannot agree with your recommendation to stop paying overtime to individuals in combination with paid leave (vacation, ill, holidays, etc.) when there is an excess of 40 hours calculated for that week. Please note that we have referred this matter to the City’s Labor Relations division for further review. GSA has been notified to continue paying staff as is customary until a final determination has been made by Labor Relations.
In conclusion, it is my intention to correct the issues brought to light once a final determination has been made by Labor Relations as to the applicability of this section of the FLSA to overtime payments. Should you require further clarification on this matter, do not hesitate to contact me.

Sincerely,

Kelly Barket, Jr.
Director
General Services Administration
Date: September 3, 2009

To: Mario Soldevilla, Director
Department of Solid Waste

From: Coral Vivolo, Staff Auditor
Office of Independent Auditor General

Subject: Audit of Payroll Transactions Processed through the Kronos System – Audit #09-020
Time and Attendance-Authorization and Payment

Dear Mr. Soldevilla:

Pursuant to our ongoing audit of Payroll Transactions Processed through the Kronos System for the period October 1, 2005 through September 30, 2008, and selected transactions prior and subsequent to this period, please confirm or clarify our understanding of the following and provide any additional records and/or documentation by September 17, 2009.

I. Lack of Evidence of Review

Good business practice requires each section supervisor to review the time and attendance records for all employees under their supervision. Our review of 60 employees’ Kronos Timecards disclosed that none of the sixty (60) timecards had evidence of review by a supervisor/director. Therefore, approximately $101,000.00 in gross salaries was disbursed to said 60 employees without the proper supervisory review. Without the proper review by a supervisor, there is a high risk that the information contained in the time cards may be changed to reflect more hours worked, and/or delete leave taken; given that those employees responsible for editing the time records in Kronos, were also responsible for reviewing and approving the entries. This demonstrates improper segregation of duties.
Recommendation:
We recommend that SWD enhance its internal controls and ensure that the timecards are reviewed by a supervisor.

Auditee Response and Action Plan:

☐ I agree; ☐ I disagree. Please initial: [Signature]

Explanation: The supervisor's reviewed all the overtime prior to payment. See attached memo.

II. Overtime Improperly Paid for Hours not Physically Worked and/or not Authorized

Pursuant to Article 36 titled “Incentive Work Plan” of the AFSCME Local 871 bargaining unit agreement “bargaining unit personnel assigned to Garbage, Recycling, Street Cleaning, and Rubbish Collection may be placed on an incentive basis whereby once the assigned route has been certified by the Department of Solid Waste Director, or designee, as being completed, the applicable personnel may be relieved from their tour of duty for the day. The City reserves the right to require the employee to work the full shift based upon the needs of the department.”

The Fair Labor Standards Act (FLSA) provides that all covered, nonexempt employees who work more than 40 hours in the workweek must receive at least one and one-half times their regular rate of pay for the overtime hours (hours worked over 40 in a workweek). According to the U.S. Department of Labor, Wage and Hour Division, “The FLSA does not require payment for time not worked, such as vacations, sick leave or holidays (Federal or otherwise).”

Our review of 60 employees’ payment records disclosed that 23 (or 38%) of the employees tested were improperly paid. Twenty (20) employees were paid for overtime they did not physically work (vacation, sick leave and holidays were included in the total hours used to determine whether the employee worked in excess of 40 hours in a work week). Also, our audit test determined that the supporting documents for some or all of the overtime worked by nine (9) employees tested was not provided. In addition, one (1) employee did not receive the correct amount of overtime pay. Said employee worked during a holiday but instead of being paid at the overtime rate he received regular pay. The resulting over/under payments for one pay period are as follows:
<table>
<thead>
<tr>
<th>#</th>
<th>Employee Title</th>
<th>Overpayment/Underspent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Waste Collector Operator II</td>
<td>$61.08</td>
</tr>
<tr>
<td>2</td>
<td>Waste Collector, Garbage</td>
<td>10.42</td>
</tr>
<tr>
<td>3</td>
<td>Waste Collector, Garbage</td>
<td>146.01</td>
</tr>
<tr>
<td>4</td>
<td>Laborer Crew Leader I</td>
<td>447.20</td>
</tr>
<tr>
<td>5</td>
<td>Waste Collector Operator I</td>
<td>2.43</td>
</tr>
<tr>
<td>6</td>
<td>Waste Collector Aide</td>
<td>8.39</td>
</tr>
<tr>
<td>7</td>
<td>Waste Collector, Garbage</td>
<td>35.83</td>
</tr>
<tr>
<td>8</td>
<td>Waste Collector Operator II</td>
<td>18.49</td>
</tr>
<tr>
<td>9</td>
<td>General Laborer</td>
<td>8.73</td>
</tr>
<tr>
<td>10</td>
<td>Sanitation Supervisor</td>
<td>(41.56)</td>
</tr>
<tr>
<td>11</td>
<td>Waste Collector Aide</td>
<td>6.77</td>
</tr>
<tr>
<td>12</td>
<td>Waste Collector Operator II</td>
<td>21.28</td>
</tr>
<tr>
<td>13</td>
<td>Waste Collector, Garbage</td>
<td>6.96</td>
</tr>
<tr>
<td>14</td>
<td>Waste Collector, Garbage</td>
<td>17.68</td>
</tr>
<tr>
<td>15</td>
<td>Waste Collector Operator II</td>
<td>15.27</td>
</tr>
<tr>
<td>16</td>
<td>Waste Collector Operator I</td>
<td>41.11</td>
</tr>
<tr>
<td>17</td>
<td>Waste Collector Operator I</td>
<td>51.48</td>
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<td>18</td>
<td>Waste Collector Operator II</td>
<td>54.97</td>
</tr>
<tr>
<td>19</td>
<td>Waste Collector, Garbage</td>
<td>27.08</td>
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<td>Waste Collector Operator II</td>
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</tr>
<tr>
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<td>136.16</td>
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<tr>
<td>23</td>
<td>Waste Collector Operator I</td>
<td>17.48</td>
</tr>
</tbody>
</table>

Based on the results of our testing above, we determined that SWD did not properly follow the FLSA guidelines as noted above. It is possible that the department may have been unaware, or did not have the proper understanding of the guidelines. In addition, SWD did not properly apply the guidelines of Article 36 titled “Work Incentive Plan” of the AFCSME 871 bargaining unit agreement. Furthermore, SWD did not follow good business practice which requires overtime to be authorized prior to being worked.

Recommendation:

In order to properly control the amount of overtime worked by employees, we recommend that SWD enforce that overtime authorization be obtained prior to overtime being worked. In addition, we recommend that SWD apply the guidelines prescribed under Article 36 “Work Incentive Plan” of the AFCSME 871 bargaining unit agreement. Furthermore, we recommend that SWD take advantage of the allowable exemptions under the FLSA and stop paying overtime on hours not physically worked by employees. Adjusting the overtime calculation in this manner would result in savings of overtime costs for the City.

Auditee Response and Action Plan:

☐ I agree; ☑ I disagree. Please initial: [Signature]

Explanation: See attached legal opinion and attached memo
Please confirm our understanding by signing on the space provided below and returning this memorandum to us. In the event that you disagree with any of the items listed above, please provide your explanation and attach all supporting documents/records.

Supporting schedules are attached for your reference. If you have any questions, please feel free to contact me at 305-416-2051 or by email at cvivolo@miamigov.com.

Thank you for your attention to this matter.

[Signature]
Barbara L. Pruitt, Director

3/17/10
Date
I. Lack of Evidence of Review:

Commencing Monday, October 19, 2009, our Department will generate a weekly Kronos payroll report, annotating actual hours worked including overtime, for each employee of our department. This report will then be distributed by our payroll personnel to each section supervisor for verification and approval, prior to the interface between the Kronos and Oracle systems.

II. Overtime Improperly Paid for Hours Not Physically Worked and/or Not Authorized:

Our Department has requested an interpretation of our Agreement between the City of Miami and AFSCME, Local 871 dated 10/1/2007 – 9/30/2010. Specifically, as it relates to Article 21 – Overtime/Compensatory Time/Call-Back, Section 21.1. Please see the attached email that was sent to Hector Mirabile, Ph. D., dated October 15, 2009, requesting the interpretation. As soon as our department receives the requested information, we will send a copy to your Office.

c: Steven H. Margolis, Staff Auditor
Joe Tang, Fiscal Administrator
Mirkie Whitehead, Administrator Aide I
Date: October 19, 2009

To: Barbara Pruitt, Interim Director
   Department of Solid Waste

From: Coral Vivolo, Staff Auditor
   Office of Independent Auditor General

Subject: Audit of Payroll Transactions Processed through the Kronos System —
Audit #09-020
Improper Payment of Overtime

Dear Ms. Pruitt:

Pursuant to our ongoing audit of Payroll Transactions processed through the Kronos System for the period October 1, 2005 through September 30, 2008, and selected transactions prior and subsequent to this period, please confirm or clarify our understanding of the following and provide any additional records and/or documentation by November 2, 2009.

I. Overtime Improperly Paid for Hours not Physically Worked

Pursuant to Article 36 titled "Incentive Work Plan" of the AFSCME Local 871 bargaining unit agreement "bargaining unit personnel assigned to Garbage, Recycling, Street Cleaning, and Rubbish Collection may be placed on an incentive basis whereby once the assigned route has been certified by the Department of Solid Waste Director, or designee, as being completed, the applicable personnel may be relieved from their tour of duty for the day. The City reserves the right to require the employee to work the full shift based upon the needs of the department."

APM 5-78 City of Miami Pay Policy (Section S.3.) stipulates "overtime and holiday pay for bargaining unit employees shall be authorized and compensated in accordance with existing labor agreements and the Fair Labor Standards Act overtime provisions." The Fair Labor Standards Act (FLSA) provides that all covered, nonexempt employees who work more than 40 hours in the workweek must receive at least one and one-half times their regular rate of pay for
the overtime hours (hours worked over 40 in a workweek). According to the U.S. Department of Labor, Wage and Hour Division, "The FLSA does not require payment for time not worked, such as vacations, sick leave or holidays (federal or otherwise)."

Our audit test of a sample of 60 payroll transactions relative to employees who earned paid leave and overtime payments during a single pay period disclosed that 54 or 90% of the 60 employees tested were improperly paid for overtime they did not physically work. Incentive hours, and/or leave hours (vacation, sick time, holidays, etc.) were incorrectly included in the total hours used to determine whether an employee worked in excess of 40 hours a work week. As a result overtime related overpayments ranged from $2.22 to $874.02 per pay period, for a total of approximately, $6,950.00.

The Solid Waste Department (SWD) only became aware of the FLSA guidelines relative to overtime as discussed above, upon audit inquiry. In response to said audit inquiry, SWD requested interpretation and guidance from Employees Relations/Labor Relations department.

Recommendation:

We recommend that SWD stop paying overtime on hours not physically worked by employees. Adjusting the overtime calculation in this manner would result in savings of overtime costs for the City.

Auditee Response and Action Plan:

☐ I agree; ☒ I disagree. Please initial: 

Explaination See attached legal opinion

Please confirm our understanding by signing on the space provided below and returning this memorandum to us. In the event that you disagree with any of the items listed above, please provide your explanation and attach all supporting documents/records.

Supporting schedules are attached for your reference. If you have any questions, please feel free to contact me at 305-416-2056 or by email at cvivolo@miamigov.com.

Thank you for your attention to this matter.

Ms. Barbara Pruitt, interim Director

Date 3/17/10
CITY OF MIAMI
OFFICE OF THE CITY ATTORNEY
MEMORANDUM

TO: Frank Giallorenzo, Sr. Labor Relations Specialist
FROM: Iliana Forte, Assistant City Attorney
DATE: December 2, 2009
RE: Calculation of Overtime - Exclusion of Vacation Time in Calculation
Matter ID No.: 09-3252

You have requested legal advice on whether the City can cease including vacation time when determining actual hours worked for calculating overtime consistent with FLSA, or if doing so would constitute a breach of the City’s collective bargaining agreement or past practice.

This response is limited to the collective bargaining agreement between the City and AFSCME Local 1907 based on the documentation you provided along with this request, and our telephone conversation.

Fair Labor Standards Act (FLSA):

The Fair Labor Standards Act does not require an employer to count holidays, leave with pay or vacations in determining an employee’s entitlement to overtime hours unless actually worked by the employee.1

AFSCME 1907 Collective Bargaining Agreement (CBA):

Article 27 of AFSCME’s current CBA provides for the payment of Overtime/Compensatory Time. Article 27 provides in part that “all authorized hours worked in excess of an eligible employee’s normal work week shall be considered overtime work.” This article does not define what a “normal work week” is nor is it found in any other Article of the CBA. Article 27 does not state that a “normal work week” for purposes of overtime pay is “actual hours worked” in excess of forty hours.

Since the contract does not define or specify what a “normal work week” is for purposes of overtime pay, we must look at how the City has in the past paid overtime during a week where an employee has over 40 reported hours worked but did not actually work more than 40 hours because he/she was on vacation hours, leave with pay, sick leave hours or holiday hours. If the City has in the past paid time and a half for all hours worked beyond 40 hours to employees regardless of the fact that all hours were not actually worked because of the above scenario, the City cannot unilaterally cease paying overtime without impacting bargaining.

1 29 C.F.R. Sec. 778.218(a)
2 York v. City of Wichita Falls, 763 F. Supp. 876

OFFICE OF THE INDEPENDENT AUDITOR GENERAL/444 S.W. 2ND AVENUE, SUITE 711/Miami, FLORIDA 33130-1910

53
A public employer is required to bargain over "wages, hours, and terms and conditions of employment." Florida Public Employer's Commission (PERC) has held that policies relating to vacation and sick leave are mandatory subjects of bargaining. *St. Petersburg Association of Firefighters, Local 747 IAFF v. City of St. Petersburg*, 5 PERC P 10381.

The only circumstances which would permit a public employer to unilaterally change a mandatory subject of bargaining, or a matter which impacts upon such a subject, without negotiations are clear and unmistakable waiver, exigent circumstances, and impasse resolution.

If you need any further assistance or clarification, please do not hesitate to contact me.

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CITY OF MIAMI
OFFICE OF THE CITY ATTORNEY
MEMORANDUM

TO: Frank Gialloreto, Sr. Labor Relations Specialist
FROM: Ilana Forte, Assistant City Attorney
DATE: December 3, 2009
RE: Calculation of Overtime - Exclusion of Vacation time in calculation
Matter ID No.: 09-3252

Pursuant to your request to include AFSCME, AFL-CIO 871 to my previously submitted advice memorandum I am providing the following addendum.

AFSCME, AFL-CIO 871 CBA:

Article 21 provides that "All authorized hours actually worked in excess of any employee's forty (40) hour work week shall be considered overtime work. The hours that employees are working or involved in Union representation or labor management activities shall not be considered hours worked in determining overtime eligibility."

The Article only refers to hours actually worked as a requirement to be paid overtime to be those over 40 hours. Again, there is no indication in this Article that the 40 hour work week as provided requires 40 hours actually worked before overtime is paid.

Thus, assuming that the City has paid overtime so long as the employee had been in some form of pay status for 40 hours during a work week, the same opinion that I rendered regarding AFSCME 1907 applies to AFSCME, AFL-CIO 871.
Date: Revised March 11, 2010

To: Miguel Exposito, Police Chief
    Miami Police Department

From: Coral Vivolo, Staff Auditor
       Office of Independent Auditor General

Subject: Audit of Payroll Transactions Processed through the Kronos System – Audit #10-009
         Improper Payment to Employees - February 5, 2010

Dear Mr. Exposito:

Pursuant to our ongoing audit of payroll transactions processed through the Kronos System for the period October 1, 2005 through September 30, 2009, and selected transactions prior and subsequent to this period, please confirm or clarify our understanding of the following and provide any additional records and/or documentation by February 19, 2010.

I. Improper Payment to Employees During Holiday Pay Periods

In accordance with Article 20 of the FOP bargaining unit agreement “bargaining unit members performing work on any holidays shall be paid time and one half of their straight time hourly rate or shall be given compensatory time at the rate of time and half but such pay for a holiday worked shall not be paid in addition to overtime pay.” In addition, in accordance with Article 45 of the AFSCME bargaining unit agreement “employees performing work on any of the holidays shall be paid eight (8) hours of holiday plus actual hours worked at their straight time hourly rate...”

During the preliminary audit entrance conference meeting held in January of 2008 in connection with this and other payroll related audit engagements, we were informed by the Police Department (PD) payroll personnel, that the PD had discontinued the use of Kronos system for tracking time and attendance because of issues with the system, including that PD...
employees were inappropriately over/underpaid when a paid holiday fell within a pay period. When the Kronos System interfaced with the Moore Payroll System it automatically added extra hours for the holiday, and in cases where the holiday fell on the employee's off day or if the employee worked during the holiday it duplicated the hours and/or calculated the holiday hours as additional overtime. This discrepancy occurred during the period June 2006 through December 2006 when the Kronos system was used in the Police department.

At the said entrance conference meeting, we were informed that the PD was in the process of manually reviewing the PD's payroll records to determine the extent of the over/under payments. We requested that the outcome of said review process be provided to us upon completion. As of the date of this memorandum, said review has not been completed and we have been not provided the final outcome of this manual review, as requested.

However, as part of our ongoing audit procedures we selected and tested a sample of 60 employees' payroll records for pay periods with paid holidays. Our audit tests determined that 22 employees were incorrectly paid for regular, holiday and overtime hours, thus resulting in underpayments ranging from $3.43 to $384.00 per pay period; and overpayments ranging from $109.06 to $2,202.01 per pay period. The total underpayment was $1,010.69 and the total overpayment was $8,548.22 for the sample tested.

Auditee Response and Action Plan:

☑ I agree; ☐ I disagree. Please initial: 

Explanation: See attached memo

Additionally, please provide us with the final outcome of the manual review of the extent of the over/under payments in the Police Department and the status of any overpayment yet to be recovered.

II. Kronos Time Recording and Overtime Authorization

Good business practice requires that each employee sign in at the beginning of their shift and sign out at the end of their workday. In addition, it also requires that overtime be authorized by the department director or his/her designee in advance.

Our review of 60 employees' payroll records disclosed that employees were improperly paid as follows:
• One (1) employee received payment for overtime, however, said overtime was not recorded in Kronos, and no additional support was provided for review. As a result, the employee may have been overpaid $34.89 during the sampled pay period.
• One (1) employee was paid a total of 14.1 hours of overtime; however, only 9.6 hours of supporting authorized overtime slip was provided upon audit inquiry. Said employee was overpaid $222.44 for 4.5 hours of overtime.
• One (1) employee was paid only 4 hours of overtime; however, supporting authorized overtime slip indicated that he worked a total of 13 hours of overtime. Said employee was underpaid $257.97 for 9 hours of overtime worked.
• One (1) employee received payment for an additional 20 hours of regular time he was not entitled to. As a result, the employee was overpaid $652.41 during the sample pay period.
• One (1) employee was underpaid $257.15 for regular and overtime hours. The employee worked during a holiday; however instead of receiving overtime pay, he was paid at the regular hourly rate.

If the overtime is not recorded and approved in the Kronos System or if there is there is authorized overtime slip, then it is possible that the employee may receive payment for overtime that was not actually worked and/or not authorized.

Recommendation:

We recommend that Police Department enhance its internal control and ensure that all time worked by the employees is properly recorded and overtime is properly authorized and supported.

Auditee Response and Action Plan:

☐ I agree; ☐ I disagree. Please Initial ____________________________

Explanation: See attached memo

III. Overtime Improperly Paid for Hours not Physically Worked [Civilians Only]

APM 5-78 City of Miami Pay Policy (Section 5.3.) stipulates "overtime and holiday pay for bargaining unit employees shall be authorized and compensated in accordance with existing labor agreements and the Fair Labor Standards Act overtime provisions." The Fair Labor Standards Act (FLSA) provides that all covered, nonexempt employees who work more than 40 hours in the workweek must receive at least one and one-half times their regular rate of pay for the overtime hours [hours worked over 40 in a workweek]. According to the U.S. Department
of Labor, Wage and Hour Division, “The FLSA does not require payment for time not worked, such as vacations, sick leave or holidays (Federal or otherwise).”

Our review of a sample of 60 employees disclosed that 10 employees tested were improperly paid for overtime they did not physically work. Leave hours (vacation, sick time, holidays, etc.) were incorrectly included in the total hours used to determine whether an employee worked in excess of 40 hours in a work week. As a result the overtime related overpayments ranged from $42.72 to $254.02 per pay period and a total of $1,570.26 for 10 of the 60 employees tested.

Recommendation:

We recommend that Police Department stop paying overtime on hours not physically worked by employees. Adjusting the overtime calculation in this manner would result in savings of overtime costs for the City.

Auditee Response and Action Plan:

☐ I agree: ☐ I disagree. Please Initial:

Explanation: See attached memo

Please confirm our understanding by signing on the space provided below and return this memorandum to us. In the event that you disagree with any of the items listed above, please provide your written explanations and attach all supporting documents/records.

Supporting schedules are attached for your reference. If you have any questions, please feel free to contact me at 305-416-2056 or by email at cvivolo@miamigov.com.

Thank you for your attention to this matter.

Mr. Miguel Exposito, Chief of Police

Date: 3/24/10

Cc: Victor Igwe, Independent Auditor General
    Bridgett Lowe, Payroll Liaison, MPD
Pursuant to the ongoing audit of police payroll transactions processed through the Kronos System the following information is proffered.

I. **Improper Payment to Employees During Holiday Pay Periods**

**Reasons:**

a. Kronos System did not record holiday pay as overtime for on-duty employees and paid these employees an additional 8 hours in regular time instead of overtime.

b. Kronos System was not interfaced correctly with the Moore System for holiday overtime.

c. Kronos System was not properly capturing the biometric punches, which resulted in the overpayment to employees (i.e. This pertains to the fifteen minute grace time given to officers before their transfer time and after duty hours, these fifteen minutes were being paid at overtime rate).

**Solutions:**

a. The Kronos Biometric System was disabled on December 24, 2006.

b. The thirty-one employees that have been identified in the audit are currently being processed by the Police Payroll Unit. The employees that were overpaid will be issued a promissory note requiring their signature in order to recover the overpayments. The employees that were underpaid will be provided a memorandum explaining the reasons for the shortage and the date of reimbursement.
II. **Kronos Time Recording and Overtime Authorization**

Reasons:

a. Due to the unconventional police schedules some, employees were not able to punch in and out of the Kronos Biometric System, which was a contributing factor to the overpayment.

b. Kronos System was not properly capturing the biometric punches which resulted in the overpayment to employees (i.e. This pertains to the fifteen minute grace time given to officers before their transfer time; these fifteen minutes were being paid at overtime rate).

c. Overtime slips were not required by the Kronos Biometric System; therefore, there was no way to validate expenditure of overtime.

Solutions:

a. The Kronos Biometric System was disabled at the end of 2006.

b. On December 24, 2006, the police department began recording block hours in the Kronos System manually in order to avoid missed punches and overpayments.

III. **Overtime Improperly Paid for Hours not Physically Worked (Civilians Only)**

Reasons:

a. In some cases, Administrative officers or time clerks did not enter hours correctly.

b. The audit advises that if an employee does not complete a forty hour work week due to time off (i.e. earned time off, vacation and sick time) he or she is not entitled to overtime.

Solutions:

a. Administrative officers and time clerks have been properly trained to record hours in the Kronos System.

b. From October 1, 2005 through September 30, 2009, police employees were paid overtime after reaching forty hours. The employees were allowed to combine compensatory time, vacation time, or sick time as part of their forty hour work week and paid overtime for any additional hours approved. This has been a past practice of the City of Miami Police Department for numerous years. If the City of Miami Commission concurs with the auditor’s recommendations, the police department will immediately cease this past practice.
Date: March 11, 2010

To: Ernest Burkeen, Director
    Parks and Recreation Department

From: Coral Vivolo, Staff Auditor
    Office of Independent Auditor General

Subject: Audit of Payroll Transactions Processed through the Kronos System –
         Audit #10-009

Dear Mr. Burkeen:

Pursuant to our ongoing audit of Payroll Transactions Processed through the Kronos System for
the period October 1, 2009 through September 30, 2009, and selected transactions prior and
subsequent to this period, please confirm or clarify our understanding of the following and
provide any additional records and/or documentation by March 25, 2010.

I. Kronos Daily Time Recording

Good business practice requires that each employee sign in at the beginning of their shift and
sign out at the end of their work day in order to properly account for the time worked and/or
any leave taken by the employee.

The procedures for recording time and attendance require all Parks and Recreation Department
employees to record their in and out time using the Kronos system Teetime. However, our
review of 60 employees’ Kronos Timecards disclosed that six (6) or 10% of the employees
tested did not record time in and/or out for one or more days during the pay period tested (see
chart below).
In June of 2009, the City implemented the new payroll system, Oracle, and discontinued the use of the Moore system. As a result, we also tested the daily Kronos time recording after the implantation of the Oracle System. Our review of 30 employees’ Kronos Timecards, disclosed that five (5) or 17% of the employees tested did not record time in and/or out for one or more days during the pay period tested (see chart below).

When an employee fails to sign in and out each day, there is an increased risk that he/she may take leave time-off (sick, vacation, LWOP, etc.) that is not properly recorded.

**Recommendation:**
We recommend that the department of Parks and Recreation perform good business practice and require that all personnel sign in and out at the beginning and end of their work day.

**Auditee Response and Action Plan:**

☑️ I agree; ☐ I disagree. Please initial: __________________________

Explanation: See attached document
II. Discrepancies between Hours Worked and Paid

The Kronos time and attendance system records the daily attendance (time in/out) for each employee. Kronos interfaces with the payroll system (Moor/Oracle) at the end of each pay period and during that process, the data accumulated in the Kronos system are used to calculate and generate payroll checks for employees.

We noted that many employees in the Parks and Recreation department are part time employees who are only allowed to work a maximum of 7 hours a day. Any additional time must be approved by the employee’s supervisor. At the time of the interface, if the employee worked additional hours (more than 7 hours in a day) and the time was not approved, the payroll clerks remove all hours in excess of 7 hours a day. When the excess hours are subsequently approved by a supervisor, it is then corrected in the Kronos system and adjusted for the following pay period in the Moore system.

Our test of 90 employees’ payroll records to determine whether the hours input into the Kronos system matched the hours processed and disbursed as payroll checks through Moor/Oracle systems disclosed that six (6) employees were not properly compensated during the pay period tested. For said employees, the total hours as recorded in the Kronos system did not match the hours paid in the Moore and Oracle systems as follows:

- One (1) employee was underpaid $50.60 (equivalent of 4.4 hours) during the pay period tested.
- One employee was underpaid $7.38 (equivalent of 1 hour) during the pay period tested.
- One (1) employee was underpaid $68.63 (equivalent of 9.3 hours) during the pay period tested. A subsequent correction was made during the following pay periods to properly compensate the employee; however, the employee incorrectly received an additional payment of $19.19.
- One (1) employee was underpaid $4.43 (equivalent of .50 hour) during the pay period tested.
- One (1) employee was underpaid $117.30 (equivalent of 8.8 hours) during the pay period tested. An adjustment was made during the following pay period to properly compensate the employee; however, said adjustment were not properly calculated and the employee was still underpaid $36.80.
- One employee was underpaid $27.64. The employee did not receive the correct amount of overtime, instead received payment for regular hours.

We recommend that the department of Parks and Recreation ensure that all time is approved prior to the interface to avoid discrepancies in pay which can result in over/underpayments to employees.

Auditee Response and Action Plan:
I agree; I disagree. Please initial: 

Explanation see attached document

III. Lack of Evidence of Review

A good business practice requires that each supervisor (section supervisor) review the time and attendance records for all employees under their supervision. Our review of 60 employees’ Kronos Timecards disclosed that none of the sixty (60) timecards had evidence of review by a supervisor/director. Therefore, approximately $69,100.00 in gross salaries was disbursed to said 60 employees without the proper supervisory review. Without the proper review by a supervisor, there is a high risk that the information contained in the time cards may be changed to reflect more hours worked, and/or delete leave taken; given that those employees responsible for editing the time records in Kronos, were also responsible for reviewing and approving the entries. This demonstrates improper segregation of duties.

Recommendation:

We recommend that the department of Parks and Recreation enhance its internal controls and ensure that the timecards are reviewed by a supervisor.

Auditee Response and Action Plan:

I agree; I disagree. Please Initial: 

Explanation see attached document

IV. Shift Differential Benefits Were Not Properly Paid

Pursuant to Article 24 titled “Wages” of the AFSCME bargaining unit agreement “a night shift differential of $.60 per hour will be paid to bargaining unit employees who work a regular established shift between the hours of 6:00 p.m. and 8:00 am... Night shift differential will only be paid for hours actually worked during the night shift differential period and will not be paid for any overtime hours.”
Our review of 60 employees' payment records disclosed that one (1) of the employees tested, did not receive the correct amount of shift differential payment. Said employee did not receive payment for 1.8 hours of shift differential actually worked. This discrepancy was due to Kronos system error. Once an employee works over 80 hours in any pay period the Kronos System automatically stops calculating the shift differential. As a result, the system does not grant the employee shift differential pay, although the hours worked are the employee's established shift differential work schedule.

Recommendation:
We recommend that the department of Parks and Recreation work closely with the Payroll and/or the IT department to correct the shift differential problem with the Kronos System.

Auditee Response and Action Plan:

☐ I agree; ☐ I disagree. Please initial: [Signature]

Explanation: See attached document

V. Overtime Improperly Paid for Hours not Physically Worked and/or not Authorized

The Fair Labor Standards Act (FLSA) provides that all covered, nonexempt employees who work more than 40 hours in the workweek must receive at least one and one-half times their regular rate of pay for the overtime hours (hours worked over 40 in a workweek). According to the U.S. Department of Labor, Wage and Hour Division, “The FLSA does not require payment for time not worked, such as vacations, sick leave or holidays (Federal or otherwise).”

In addition, good business practices require that all overtime be authorized by the department director or his/her designee in advance.

Our audit test of 60 employees' payment records disclosed that six (6) of the employees tested were improperly paid. Five (5) employees were paid for overtime that they did not physically work; vacation, sick leave and holidays were included in the total hours used to determine whether the employee worked in excess of 40 hours in a work week. As a result, overtime related overpayments ranged from $43.41 to $261.90 per pay period, for a total of approximately $827.00.

In addition, the supporting documents for the overtime worked by the six (6) employees (including the 5 mentioned above), was not provided for our review.

A test was specifically performed to determine whether vacation, sick leave and holidays were included in the total hours used to determine whether the employee worked in excess of 40
hours in a work week. Our test of a sample 45 payroll transactions relative to employees who earned paid leave and overtime payments during a single pay period disclosed that 45 or 100% of the employees tested were improperly paid for overtime they did not physically work. Leave hours (vacation, sick time, holidays, etc.) were incorrectly included in the total hours used to determine whether an employee worked in excess of 40 hours in a work week. As a result, overtime related overpayments ranged from $0.43 to $146.66 per pay period, for a total of approximately $2,295.00.

Based on the results of our testing, we determined that the Parks and Recreation Department did not properly follow the FLSA guidelines as stated above. It is possible that the department may have been unaware, or did not have the proper understanding of the guidelines. In addition, the department did not follow good business practices, which require that overtime be authorized prior to being worked.

Recommendation:

In order to properly control the amount of overtime worked by employees, we recommend that the department require that overtime authorization be obtained for any overtime being worked. In addition, we recommend that the department take advantage of the allowable exemptions under the FLSA and stop paying overtime on hours not physically worked by employees. Adjusting the overtime calculation in this manner would result in savings of overtime costs for the City.

Auditee Response and Action Plan:

☐ I agree; ☐ I disagree. Please Initial: 

Explaination

See attached document

Please confirm our understanding by signing on the space provided below and returning this memorandum to us. In the event that you disagree with any of the items listed above, please provide your explanation and attach all supporting documents/records.

Supporting schedules are attached for your reference. If you have any questions, please feel free to contact me at 305-416-2056 or by email at cvivolo@miamigov.com.

Thank you for your attention to this matter.

Mr. Ernest Burkeen, Director

3/24/10 Date
I. Kronos Daily Time Recording

The Parks and Recreation Department disagrees. The timecards reviewed in which this situation was observed were those of salaried employees. Please see attached a memorandum issued on January 12, 2006 by the Employee Relations Department. Following their review with the Law Department of the Florida Labor Standards Act, it was determined that salaried employees were not required to "punch out" at the end of their shift.

II. Discrepancies between Hours Worked and Paid

The Parks and Recreation Department agrees. The Kronos interface occurs at 5:00 p.m. on Monday (when Monday is not a holiday). Prior to the interface, the payroll staff has to prepare payroll for approximately 750 (non-summer) staff members from over 40 sites who work up to and including the last day of the payroll period (the previous Saturday). Additionally, employees working special events do not record their time in Kronos. The time they worked the event needs to be manually entered by the payroll staff into Kronos due to the fact that working the event may result in an overtime situation.

It should be noted that the timely submission of edits by field personnel would assist the payroll staff in meeting this obligation prior to the interface, thereby ensuring that the employees would be paid for the time they worked, and that the hours in the two systems (Kronos and Oracle) would match.

III. Lack of Evidence of Review

The Parks and Recreation Department agrees and disagrees. During and at the end of the pay period, each supervisor reviews his/her employees' timecards. In the event that there is a problem, the payroll staff maintains communications with the supervisor regarding the issues. Corrections are recorded, and the payroll staff enters them into Kronos as edits prior to the interface. If the correction is received following the interface, it will be entered into Oracle as a Change of Attendance. Unfortunately, a standardized review of all timecards by all supervisors following the corrections and before the interface is a challenge for the department.

IV. Shift Differential Benefits Were Not Properly Paid

The Parks and Recreation Department agrees. The timecards which were reviewed as part of this audit were from a time period that the system required manual entries in order to provide appropriate shift differential pay. The system has now been updated for automatic calculation.

V. Overtime Improperly Paid for Hours not Physically Worked and/or not Authorized

The Parks and Recreation Department both agrees and disagrees. The Department has procedures to follow with respect to the approval of overtime. Overtime Authorization Forms are to be completed for each individual for each date he or she works overtime. Following initial approval by the supervisor, the form is then submitted to the Department Director/designee for review and approval. Unfortunately, that did not happen with 6 individuals for the pay period of 6/22/2008 -
7/5/2008. It should be noted that this was a pay period when approximately 25 employees worked overtime on 4th of July activities, some of them multiple days within this pay period.

With respect to the issue of providing the employees with overtime pay for hours they did actually work, per City policy, 5 temporary employees were awarded Holiday Pay for the 4th of July. In the awarding of Overtime Pay, the Parks and Recreation Department has always considered overtime worked as a separate issue. It should be noted that as of January 2010, City of Miami temporary employees are no longer eligible for Holiday Pay.
Please consider this authorization for you to change the pay rule for exempt, Job Basis salaried employees in the Kronos System. The salaried employee will be required to "punch-in" one time during the day. The salaried employee will not be required to "punch-out". The system is to carry the salaried employee in an eight (8) hour pay status, regardless of when the time was punched or called in. In the interim, the system should not request any type of leave time for missing hours to bring the employee to an 8 hour day or 40 hour work week.

Employee Relations, with the assistance of the Law Department, recently conducted a thorough review of exempt employee status in the F.L.S.A. The above authorization is one such procedure change. Job Basis employees who leave work early are required to notify their supervisor; however, no notation should be made on the employee’s pay record reported to payroll. The department may maintain an internal record, but the partial shift is not recorded as ill, vacation, etc. We will be publishing revised procedures that all departments will be required to follow in conjunction with the Phase II payroll training.

Should you have any questions, please call me at your convenience.

RM/SPW/sw

c: Neyda Galvez, Assistant Director, Information Technology Department
    Angela Marinss, Payroll & Support Services Admin., Employee Relations Department
    Sonja Walthour, Sr. Labor Relations Specialist, Employee Relations Department
    Georgia Abud-Vega, Payroll Supervisor, Employee Relations Department
    Ernest Burken, Director, Parks and Recreation Department
    Kelly Barket, Director, General Services Administration
    Mario Soldevillas, Director, Solid Waste Department
    John Timoney, Chief, Police Department
    Maria Brito, Payroll, Parks and Recreation Department
    Lilia Rey, Payroll, General Services Administration
    Bridgett Lowe, Payroll, Police Department