CITY OF MIAMI
OFFICE OF INDEPENDENT AUDITOR GENERAL

AUDIT OF THE FIRE RESCUE DEPARTMENT’S
PERSONNEL/PAYROLL AND RELATED FINANCIAL
TRANSACTIONS AND OPERATIONS

Prepared By
Office of Independent Auditor General

Victor I. Igwe, CPA, CIA
Independent Auditor General
March 24, 2011

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

Re: Audit of Personnel/Payroll & Related Transactions and Operations-Fire Rescue Department
Audit No. 11-005

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 2010/2011 Audit Plan, we have performed an audit of certain personnel/payroll & related transactions and operations of the Fire Rescue Department (FRD). The audit was performed to determine whether certain FRD’s payroll and related financial transactions that were processed and disbursed through the Moore Payroll System and the newly implemented Oracle Payroll System were in compliance with the labor union agreement between the City and the International Association of Firefighters, AFL-CIO Local 587, the City Code provisions, the Fair Labor Standards Act, and other applicable guidelines.

The audit covered the period October 1, 2006 through September 30, 2010 and selected transactions prior and subsequent to this period.

Sincerely,

[Signature]

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

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Audit Documentation File
# AUDIT OF PERSONNEL/PAYROLL RELATED TRANSACTIONS AND OPERATIONS-
FIRE RESCUE DEPARTMENT
OCTOBER 1, 2006 THROUGH SEPTEMBER 30, 2010

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INTRODUCTION

The Fire-Rescue Department’s (FRD) current workforce consists of approximately 761 employees. Payroll records indicated that approximately $96 million and $84 million of salaries and fringe benefits were processed and disbursed to FRD employees during the fiscal years (FYE) ended September 30, 2009 (FYE 2009) and September 30, 2010 (FYE 2010) respectively. During said fiscal years, salaries and fringe benefits constituted approximately 96% of FYE 2009 and 95% of FYE 2010 total operating budget of the FRD.

The City and the International Association of Firefighters, AFL-CIO Local 587 entered into a labor union agreement for the period October 1, 2007 through September 30, 2011. The agreement provided for wages, fringe benefits, and other terms and conditions of employment for all employees in the FRD including Firefighters, Fire Lieutenants, Fire Captains, and Chief Fire Officers. All employees covered by this Agreement may receive, if qualified, additional separate pay supplements calculated at a specified percentage of their base salaries. The types of pay supplements, as described in the Agreement include, among others, Paramedic Supplement; SWAT Team; Certified Diver Team, and Technical Rescue Team.

The audit was performed to determine whether certain FRD’s payroll and related financial transactions that were processed and disbursed through the Moore Payroll System and the newly implemented Oracle Payroll System were in compliance with the labor union agreement between the City and the International Association of Firefighters, AFL-CIO Local 587, the City Code provisions, the Fair Labor Standards Act, and other applicable guidelines.

The Moore Payroll System (Moore) was used during part of the audit period to accumulate and process payroll transactions. 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 the Enterprise Resources Planning (ERP) Oracle Phase II Personnel/Payroll System. The new Oracle System went live in June 2009. The City anticipated that
the migration from the Moore Payroll System to the Oracle Payroll System would allow for the computerized processing of various complex personnel/payroll transactions such as, identifying, accumulating, accounting, and reporting of many complicated payroll and benefit transactions provided to employees as authorized by the four labor bargaining union agreements, the Fair Labor Standards Act (FLSA), and the Administrative Policy Manual (APM). At the inception of the implementation of the Oracle Payroll System, the City’s Employee Relations Department was responsible for administering all aspects of the payroll functions, including maintaining the City’s payroll system and processing the City’s bi-weekly payroll and related payroll disbursements. However, the payroll/support service was transferred to the City’s Finance Department in May 2010.
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 the Fiscal Year 2010/2011 Audit Plan. The scope of this audit included examination/evaluation of selected Fire-Rescue Department’s (FRD) payroll/fringe benefits transactions. The audit covered the period October 1, 2006 through September 30, 2010 and selected transactions prior and subsequent to this period. In general, the audit focused on the following broad objectives:

- To gain an understanding of the components of internal controls including newly implemented Oracle Payroll System computer environment controls relative to the processing and disbursing of payroll/fringe benefits.

- To determine whether salary adjustments and other supplemental payments were properly authorized prior to disbursement.

- To determine whether selected transactions and disbursements were processed in accordance with the Fair Labor Standards Act (FLSA), the City Code, labor union agreements, Civil Service Rules and Regulations, Administrative Policy Manuals (APM), salary schedule, and other applicable guidelines.

- To determine whether salaries, salary adjustments, and other supplemental payments were properly calculated, authorized, disbursed, and reported.
METHODOLOGY

We conducted this 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 conclusions 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 the necessary substantive tests and performed the required substantive tests.
- Determined compliance with the City’s Pay Policy (APM 5-78), labor union agreements, the Fair Labor Standards Act, and other applicable guidelines.
- Drew conclusions based on the results of the testing, made corresponding recommendations, and obtained the auditee’s responses and corrective actions plans.
- Other audit objectives as deemed necessary.
CONCLUSIONS AND SUMMARY OF FINDINGS

OVERALL AUDIT CONCLUSION

The City management anticipated that the migration from the outdated Moore Payroll System to the Oracle Phase II Payroll System would allow for the computerized processing of various complex personnel/payroll transactions such as, identifying, accumulating, accounting, and reporting of many complicated payroll, pay supplements, and benefit transactions provided to employees as authorized by the four labor bargaining union agreements, the Fair Labor Standards Act (FLSA), and the Administrative Policy Manual (APM). However, based upon the payroll related control deficiencies noted in this and other payroll audit engagements, the migration to the Oracle Phase II Payroll System, so far, has not achieved the desired results; and, there is an increased risk of loss of public funds, given that over 75% of City disbursements are related to payroll financial transactions. A summary of the control deficiencies are as follows:

OVERPAYMENT OF PARAMEDIC AND ADVANCE LIFE SUPPORT ASSIGNMENT PAY SUPPLEMENTS

Our audit test of 29 Fire Rescue employees that received both State Certified Paramedic and Advance Life Support (ALS) assignment pay supplements indicated that the average overpayment was approximately $8.31 per employee for the one pay period tested. Our audit determined that approximately 329 Fire Rescue employees received both Paramedic and ALS Assignment pay supplements during the period October 2009 through August 2010 (a total of 21 pay periods). Therefore, we estimate that approximately $57,400 (329 x $8.31 x 21) of overpayments were disbursed to the 329 employees during period October 2009 through August 2010. Although, this discrepancy was detected by the Finance/Payroll department and corrected effectively for the August 14, 2010 pay period, the recovery of the overpayments to the 329 employees affected has not been initiated. Also, it should be noted that the overpayments as described above, inflated or overstated the employee’s average earning for the purpose of establishing pension benefits.

Refer to detail audit findings and recommendations on pages 9 and 10.
FIREFIGHTERS IMPROPERLY RECEIVED BOTH ADVANCE SUPPORT LIFE AND ACTING ADVANCE SUPPORT LIFE PAY SUPPLEMENTS

Our audit test of 60 employees’ statement of earnings, disclosed that one (1) employee was improperly overpaid $3,771 of “ALS Assignment” supplement pay during the pay periods 11/07/09 through 09/30/10. During the above audit field work test, we observed that certain firefighters that received “ALS Assignment” pay supplement were also paid “ALS Acting” pay supplements, contrary to the provisions of Section 18.15 of the IAFF Agreement. As a result, we requested payment records of all instances where “ALS Assignment” and “ALS Acting” pays were disbursed to a single employee during a single pay period. Our examination of 30 payment records out of the 151 payments records disclosed that 27 employees were overpaid in amounts ranging from $17.41 to $153.84 during a single pay period for a total overpayment of approximately $1,350. The 151 payment records pertained to 75 employees (including the 27 employees mentioned above) who received ALS Assignment pay and ALS Acting pay that they were not entitled to receive. This discrepancy occurred during the period 10/24/09 through 07/31/10 and the overpayments totaled $6,800. We believe that the discrepancies were caused by the manual processing and inputting of “ALS Acting” pay supplements. Also, we believe that this discrepancy also occurred prior to the period tested (10/24/09 through 07/31/10). However, due to the lack of payroll data, we were unable to perform testing in order to confirm the existence of any such discrepancy during the period 10/01/06 through 10/11/09 and subsequent to 07/31/10. Furthermore, one employee incorrectly received $1,540 for 840 “ALS Acting” hours within a single pay period that he was not entitled to receive.

Refer to detailed audit findings and recommendations on pages 11 and 12.

UNDERPAYMENT OF PARAMEDIC AND ADVANCE LIFE SUPPORT ASSIGNMENT PAY SUPPLEMENTS

Based on the discrepancies and overpayments discussed in the two deficiencies summarized above pertaining to the calculation and disbursement of Advance Life Support and/or Certified Paramedics
pay supplements, we requested all payment records for those employees who received “ALS Acting” and/or other pay supplements during our audit period (10/01/06-09/30/10). Our examination of 150 payment records of employees who received “ALS Acting” pay disclosed that 124 employees were underpaid as follows:

- Our review determined that a total of 498 employees that received ALS Acting pay supplements during the pay periods 10/14/06 through 04/24/10 were underpaid a total of approximately $52,720.

- Our review determined that approximately 168 employees that received ALS Acting pay and Paramedic pay supplements during the pay periods 10/24/09 through 04/24/10 were underpaid approximately $37,300 (i.e. average underpayment per employee tested $15.87 multiplied by 168 employees, multiplied by 14 pay periods).

- Our review determined that approximately 134 employees that received ALS Acting pay and Paramedic pay supplements during the pay periods 05/08/10 through 07/31/10 were underpaid approximately $2,700 (i.e. average underpayment per employee tested $2.91 multiplied by 134 employees, multiplied by 7 pay periods) during the period 05/08/10 through 07/31/10 (7 pay periods).

Refer to detailed audit findings and recommendations on pages 14 through 16.
PAY ANNIVERSARY INCREASES WERE NOT GRANTED ON THE CORRECT DATES

Our audit test of a sample of 60 employees’ records disclosed that the anniversary increases for two (2) employees were not granted as stipulated in the agreement and therefore were underpaid by a total of $3,913.

Refer to detailed audit findings and recommendations on pages 17 and 18.

SALARY OVERPAYMENTS CAUSED BY ORACLE ERP PHASE II SYSTEMS DEFICIENCY

We selected a sample of five (5) pay periods to verify whether the newly implemented Oracle Enterprise Resources Program (ERP) Phase II Oracle personnel/payroll system was properly accumulating, accounting for, and disbursing salaries based on the actual number of hours worked by firefighters, as provided by Sections 32.1 and 32.2 of the labor union agreement. Our test of the said 5 pay periods disclosed that 44 firefighters received salary payments in excess of the maximum 96/104 hours as stipulated in Sections 32.1 and 32.2 of the union agreement. The earnings statements of the said 44 employees were reviewed, and the hours paid (i.e. regular wages, vacation, sick, etc., excluding any overtime and special pays) were compared to the employees’ assignment schedules. Our test disclosed that the said 44 employees were overpaid additional hours ranging from 3 to 96 hours over their scheduled assignment hours. The total overpayment amounts ranged from $94.62 to $3,457.92 per employee for each pay period and for a total overpayment of approximately $34,100.

Refer to detailed audit findings and recommendations on pages 19 and 20.
AUDIT FINDINGS AND RECOMMENDATIONS

FINANCE, INFORMATION TECHNOLOGY AND FIRE RESCUE DEPARTMENTS

OVERPAYMENT OF PARAMEDIC AND ADVANCE LIFE SUPPORT ASSIGNMENT PAY SUPPLEMENTS

Article 18.13 of the Labor Union Agreement (Agreement) between the City of Miami (City) and the International Association of Firefighters (IAFF) Local 587, stipulates that: “effective October 1, 2009…State Certified Paramedics shall have their pay reduced as if their base had not been increase by nine (9%) and shall have the State Certified Paramedic fourteen (14%) carried as nine (9%) supplemental item and a five (5%) base pay increase.” As such, the new Agreement clause, which became effective October 1, 2009 provided that a State Certified Paramedic Firefighter, who for example, earned $15 an hour prior to October 1, 2009, will no longer receive a 14% increase on their $15 an hour base pay [i.e. $17.10 ($15 x 1.14)] as of October 1, 2009 but rather will receive $0.75 per hour ($15.00 X 5%) as a “Paramedic Base Pay” increase and $1.42 per hour as [($15.00 X 1.05) X 9%] “Paramedic Supplement Pay”.

Also, Article 18.14 of the Agreement provides that: “effective October 1, 2009, employees who met the criteria for ALS Rescue Assignment Pay shall have their pay reduced as if their base had not been increased by one (1%) percent and shall have their six (6%) percent ALS Rescue Assignment Pay carried as one (1%) supplemental pay item and a five (5%) base pay increase.” As such, the new Agreement clause, which became effective October 1, 2009 provided that a certified Advance Life Support (ALS) Firefighter who, for example, earned $15 an hour prior to October 1, 2009, will no longer receive a 6% increase on their $15 an hour base pay [i.e. $15.90 ($15 x 1.06)] on October 1, 2009 but rather will receive $0.75 per hour ($15.00 X 5%) as a “ALS Base Pay” increase and $0.16 per hour as [($15.00 X 1.05) X 1%] “ALS Supplement Pay”.

Our audit test of a sample of 29 Fire Rescue employees’ that received both State Certified Paramedic
and ALS Assignment pay supplements indicated that the “Paramedic Base Pay” (i.e. 5% of base pay) for the State Certified Paramedic pay supplement, as described above were incorrectly calculated and disbursed to the 29 Fire Rescue employees that received both pay supplements (Paramedics and ALS). It appears that the incorrect calculations may be due to a computer software programming error designed during the implementation of the new IAFF contract in October 2009. As a result of this programming error, all the 29 employees were overpaid during the one pay period tested. The overpayments for the 29 employees ranged from $5 to $24, and totaled $241.27 for the one (1) pay period tested.

However, our audit indicated that approximately 329 Fire Rescue employees received both Paramedic and ALS Assignment pay supplements during the period October 2009 through August 2010 (a total of 21 pay periods). Our audit test for the 29 employees tested as noted above indicated that the average overpayment was approximately $8.31 per employee for the one pay period tested. Therefore, we estimate that approximately $57,400 (329 x $8.31 x 21) of overpayments was disbursed to the 329 employees during October 2009 through August 2010. Although, this discrepancy was detected by the Finance/Payroll Department and corrected effectively for the August 14, 2010 pay period; the recovery of the overpayments to the 329 employees affected has not been initiated. Also, it should be noted that the overpayments as described above, inflated or overstated the employee’s average earning for the purpose of establishing pension benefits.

Recommendation:

We recommend that all overpayments be promptly recovered. In addition, we recommend that all excess contributions remitted to the FIPO Pension Trusts relative to the Paramedic and ALS Assignment pay supplements be recaptured.

Auditee Response and Action Plan:

See auditee’s complete response on pages 22 through 23.
FINANCE, INFORMATION TECHNOLOGY AND FIRE RESCUE DEPARTMENTS

FIREFIGHTERS IMPROPERLY RECEIVED BOTH ADVANCE SUPPORT LIFE AND ACTING ADVANCE SUPPORT LIFE PAY SUPPLEMENTS

Section 18.14 of the Labor Union Agreement between the City and the International Association of Firefighters Local 587 stipulates that, “effective October 1, 2006, employees who are State Certified Paramedics or State Certified EMTs permanently bid into Advance Life Support positions on ALS apparatus (Rescue or Paramedic Pumpers), will have their base increased six percent (6%) for Rescue assignment pay. Effective October 1, 2009, employees who meet the criteria for ALS Rescue Assignment Pay shall have their pay reduced as if their base pay had not been increased by one (1%) percent and shall have their six (6%) percent ALS Rescue Assignment Pay carried as one (1%) supplemental pay item and a five (5%) base increase.” In addition, Section 18.15 states that, “effective October 1, 2006, any person covered by this Agreement who is required to ride in an ALS position (all positions on Rescue, and ALS positions on paramedic Fire apparatus) who is not receiving ALS assignment pay shall be paid six percent (6%) above their currently hourly rate for all hours worked, provided they ride in that capacity for a minimum of four (4) hours. Probationary Fire Fighters will not be entitled to receive ALS Acting Pay.”

Our examination of a sample of 60 employees’ statement of earnings, disclosed that one (1) employee was improperly paid for “ALS Assignment. Supplement pay” The employee’s ALS Assignment officially ended on 05/24/09 and accordingly, the related “ALS Assignment” pay supplement was stopped effective 05/24/09. However, during pay period: 11/07/09 through 09/30/10 (when employees are no longer entitled to receive ALS Acting pay or ALS Assignment pay), said employees improperly received ALS Assignment pay. As a result, said employee was overpaid approximately $3,771 for “ALS Assignment” supplement pay. After reviewing the employee’s payroll history in the Oracle Payroll system, there was no record of an addition of “ALS Assignment” pay effective 11/07/09 to justify such payment, only the deletion of it, effective 05/24/09.
During the above audit field work test we observed that certain employees that received “ALS Assignment” pay supplement were also paid “ALS Acting” pay supplement, contrary to the provisions of Section 18.15 of the IAFF Agreement as indicated above. As a result, we requested payment records of all instances where “ALS Assignment” and “ALS Acting” pays were disbursed to a single employee, during a single pay period. Our examination of 30 payment records out of the 151 payments records disclosed that 27 employees were overpaid in amounts ranging from $17.41 to $153.84 during a single pay period for a total overpayment of approximately $1,350. The 151 payment records pertained to 75 employees (including the 27 employees mentioned above) who improperly received both ALS Assignment and ALS Acting Pay supplements. This discrepancy occurred during the period 10/24/09 through 07/31/10 and the overpayments totaled $6,800. We believe that the discrepancies were caused by the manual processing and inputting of “ALS Acting” pay supplements. Also, we believe that this discrepancy also occurred prior to the period tested (10/24/09 through 07/31/10). However, due to lack of payroll data, we were unable to test and quantify this error during the period 10/01/06 through 10/11/09 and subsequent to 07/31/10.

Furthermore, one employee improperly received payment for 840 hours of ALS Acting pay supplement within a single pay period. As a result, said employee was overpaid $1,540 during a single pay period. This deficiency may have been caused by a manual entry error while inputting the hours of “ALS Acting.”

Effective September 30, 2010, Resolution # R-10-0348 modified all supplemental pay items including ALS Acting and Certified Paramedic pay supplements.
Recommendation:

We recommend that all overpayments be promptly recovered. In addition, we recommend that all excess contributions remitted to the FIPO Pension Trusts relative to the Paramedic and ALS Assignment pay supplements be recaptured.

Auditee Response and Action Plan:

See auditee’s complete response on pages 24 through 26.
FINANCE, INFORMATION TECHNOLOGY AND FIRE RESCUE DEPARTMENTS

UNDERPAYMENT OF PARAMEDIC AND ADVANCE LIFE SUPPORT ASSIGNMENT PAY SUPPLEMENTS

Based on the discrepancies and overpayments discussed on pages 9 through 13 pertaining to the calculation and disbursement of Advance Life Support and/or Certified Paramedics pay supplements, we requested all payment records for those employees who received “ALS Acting” and/or other pay supplements during our audit period (10/01/06-09/30/10). Our examination of 150 payment records of employees who received “ALS Acting” pay disclosed the following discrepancies:

- Our review of 90 payment records indicated that 70 employees received only five percent (5%) for ALS Acting pay instead of six percent (6%) as stated in Section 18.15 of the IAFF agreement during the pay period 10/14/06 through 04/24/10; thus, there were underpayments ranging from $2.42 to $27.70 during a single pay period for a total of $1,012.96. Based on the electronic records provided by the IT Department, which contained a total of 5402 payment records (including the 90 tested) we determined that a total of 498 employees received ALS Acting pay during the pay periods 10/14/06 through 04/24/10, and were underpaid a total of approximately $52,720.

- Our review of 28 payment records indicated that 26 employees received ALS Acting and Paramedic pay supplements during the pay periods 10/24/09 through 04/24/10. However, five percent (5%), instead of six percent (6%), was used to calculate the ALS Acting pay supplement. Also, we noted that the employees’ original hourly base rates were used instead of the hourly base rate including the Paramedic pay supplement; thus there were underpayments ranging from $3.14 to $64.75 during a single pay period for a total of $444.35. Based on the electronic records provided by the IT Department, which contained 751 payment records (including the 28 tested), we determined that approximately 168 employees received ALS Acting supplement pay and Paramedic
supplement pay during the pay periods 10/24/09 through 04/24/10. We estimate that the 168 employees were underpaid approximately $37,300 (i.e. average underpayment per employee tested $15.87 multiplied by 168 employees, multiplied by 14 pay periods).

- Our review of 32 payment records indicated that 28 employees that received both ALS Acting and Paramedic pay supplements during the pay periods of 05/08/10 through 07/31/10, were also improperly compensated. Also, we noted that employees’ original hourly base rates were used, instead of the hourly base rate including the Paramedic pay supplement; thus, there were underpayments ranging from $1.05 to $7.53 during a single pay period for a total of $93.21. Based on the electronic records provided by the IT Department, which contained 409 payment records (including the 32 tested); we determined that approximately 134 employees received ALS Acting supplement pay and Paramedic supplement pay during the pay periods 05/08/10 through 07/31/10. We estimate that the 134 employees were underpaid approximately $2,700 (i.e. average underpayment per employee tested $2.91 multiplied by 134 employees, multiplied by 7 pay periods) during the period 05/08/10 through 07/31/10 (7 pay periods).

The deficiencies noted above could be attributed to systems programming errors in the Moore Payroll System (old payroll system) and in the newly implemented Oracle Phase II Payroll System.

**Recommendation:**

We are aware that the ALS Acting pay supplement percentage deficiency was corrected as of pay period ending 05/08/10 and also that the hourly rates were corrected as of pay period ending 08/14/10. Additionally, we are aware that effective September 30, 2010, Resolution # R-10-0348 modified all supplemental pay items including ALS Acting and Certified Paramedic pay supplements. However, we recommend that all departments involved work together in order to correct and disburse any underpayments due to employees.
Auditee Response and Action Plan:

See auditee’s complete response on pages 27 through 30.
PAY ANNIVERSARY INCREASES WERE NOT GRANTED ON THE CORRECT DATES

Section 18.4 of the Labor Union Agreement between the City and the International Association of Firefighters Local 587, stipulates that “bargaining unit members, holding the rank of Firefighter, shall receive 2.5% pay increase for each step. Step 2 shall begin with six (6) months employment, and each subsequent step shall be given every six (6) months through Step 17. An additional 2.5% for Step 18 pay raise shall be at the completion of year nine (9) of employment.” Furthermore, “…bargaining unit members holding the ranks of Lieutenant, Captain, or Chief Fire Officer shall receive 2.5% pay increases for Steps 2 through 12. Step 2 shall begin with six (6) months employment, and each subsequent step shall be given every six (6) months through Step 12. Step pay increases shall be 3% starting with Step 13, which shall begin at the completion of six (6) years of employment, and continue to be given every six (6) month interval through Step 18. At the completion of year nine (9) of employment a Step 19 raise 2.5% shall be given.”

Our test of a sample of 60 employees’ records disclosed that the anniversary increases for two (2) employees were not granted as stipulated in the agreement and therefore were improperly compensated as follows:

- Our test determined that the required six months pay anniversary increase was not granted to one (1) employee. We noted that when the subsequent six months pay anniversary was due, said employee was moved two salary steps forward. However, the employee did not receive retroactive payment for the one anniversary pay increase that was six months past due. As a result, the employee was underpaid approximately $813.
• Our test determined that the required anniversary pay increases for three, three and one-half, and four years of services were not granted to one (1) employee. As a result, the employee was underpaid approximately $3,100.

Upon audit inquiry, the Administrative Assistant in the Payroll Section of the Fire Rescue Department indicated that the deficiencies noted above may have occurred during the implementation of the Oracle Payroll system when some of the Personnel Action Forms were not properly processed or processed at all.

**Recommendation:**

We recommend that Fire Rescue and the Finance/Payroll Departments enhance their internal controls in order to ensure that anniversary increases are granted in a timely manner and any retroactive payments due to employees are properly calculated and paid.

**Auditee Response and Action Plan:**

See auditee’s complete response on page 26.
FINANCE, INFORMATION TECHNOLOGY AND FIRE RESCUE DEPARTMENTS

**SALARY OVERPAYMENTS CAUSED BY ORACLE ERP PHASE II SYSTEMS DEFICIENCY**

Section 32.1 of the Labor Union Agreement between the City and the International Association of Firefighters Local 587 (Agreement) stipulates that, “the work week for twenty-four (24) hours shift employees shall be as follows: twenty-four (24) hours on duty, forty-eight (48) hours off duty. A day off, now known as an “R” day, shall be granted once every seven (7) scheduled tours. This schedule will result in forty-eight (48)-hour work week.” In addition, Section 32.2 of the Agreement states that, “shift employees may work an optional fifty-two (52) hour work week as follows: twenty-four hours on duty, forty-eight hours off duty, a day known as an “R” day shall be granted once every fourteen (14) scheduled tours.” Therefore, based on the terms of the labor union agreement, as described above, the maximum number of hours (without including overtime) that a firefighter could work during a two-week pay period will be 96 hours (i.e., for those that work 48 hours each week) or 104 hours (i.e., for those that work 52 hours each week).

We selected a sample of five (5) pay periods to verify whether the newly implemented Oracle Enterprise Resources Planning (ERP) Phase II Oracle personnel/payroll system is properly accumulating, accounting for, and disbursing salaries based on the actual number of hours worked by firefighters, as provided in Sections 32.1 and 32.2 of the labor union agreement. Our test of the said 5 pay periods disclosed that 44 firefighters received salary payments in excess of the maximum 96/104 stipulated in Sections 32.1 and 32.2 of the union agreement. The earnings statements of the 44 employees were reviewed, and the hours paid (i.e. regular wages, vacation, sick, etc., excluding any overtime and special pays) were compared to the employees’ assignment schedules. Our test disclosed that the 44 employees were overpaid additional hours ranging from 3 to 96 hours over their scheduled assigned hours. The total overpayments ranged from $94.62 to $3,457.92 per employee for each pay period and for a total overpayment of approximately $34,100.
The City anticipated that the implementation of the Oracle Enterprise Resources Program (ERP) Phase II Oracle personnel/payroll system will go far in supporting the City’s expectation for greater accuracy and efficiency in this important payroll business process, which constitutes over 75% of City’s budget. Based on our test results, it appears that the newly implemented ERP Phase II Oracle personnel/payroll system processed and disbursed additional hours of unearned salaries that the 44 employees never worked during the 5 pay periods tested. Also, it is possible that other employees who were not part of the sample tested may have been overpaid for hours they never worked.

In a memorandum dated February 9, 2011 (see pages 30 and 31), we requested a written response to be provided by February 17, 2011 in connection with this payroll deficiency and what actions are being taken to address said deficiency. A reminder for a response was sent on March 14, 2011; however, no written response was provided to us.

**Recommendation:**

We recommend that the Finance, Employee Relations, Information Technology and the Fire Rescue Departments develop a detailed corrective work plan to address all the deficiencies identified in the this audit report. Also, we recommend that all overpayments be promptly recovered.

**Auditee Response and Action Plan:**

As stated above, no written response was provided.
Date: August 27, 2010

To: Michelle Piña, Ph.D, Director, Employee Relations Department
    Diana Gomez, Director, Finance Department

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

Subject: Audit of the Fire-Rescue Department’s Personnel/Payroll and Related Financial Transactions and Operations – Audit #10-022
        Paramedic and ALS Assignment Pay (Base Pay)

Dear Ms. Piña and Ms. Gomez:

Pursuant to our ongoing audit of the Fire-Rescue Department’s Personnel/Payroll and Related Financial Transactions and Operations for the period October 1, 2006 through September 30, 2009, and selected transactions prior and subsequent to this period, please confirm and/or clarify our understanding of the following and provide any additional records and/or documentation by September 10, 2010. This memorandum is addressed to the Finance and the Employee Relations Departments since the Payroll function was transferred from the Department of Employee Relations to the Finance Department in May 2010. Please collaborate in your response to the extent necessary.

Paramedic and ALS Assignment Pay (Base Pay)

Article 18.13 of the Agreement between the City of Miami (City) and the International Association of Firefighters (IAFF) Local 587, stipulates that "effective October 1, 2009, State Certified Paramedics shall have their pay reduced as if their base had not been increased by nine (9%) and shall have the State Certified Paramedic fourteen (14%) carried as nine (9%) supplemental item and a five (5%) base pay increase." In other words, the new Union Agreement, which became effective October 1, 2009, provided that a State Certified Paramedic Firefighter who earned $15 an hour prior to October 1, 2009, will not receive a 14% increase on their $15 an hour base pay (i.e. $17.10 ($15 x 1.14)) on October 1, 2009. The new Agreement provides that the Certified Paramedic will receive only $0.75 per hour ($15.00 X 5%) as
"Paramedic Base Pay" and $1.42 per hour as (($15.00 X 1.05) X 9%) "Paramedic Supplement Pay".

Also, Article 18.14 of the Agreement provides that "effective October 1, 2009, employees who meet the criteria for ALS Rescue Assignment Pay shall have their pay reduced as if their base had not been increased by one (1%) percent and shall have their six (6%) percent ALS Rescue Assignment Pay carried as one (1%) supplemental pay item and a five (5%) base pay increase."

In other words, the new Union Agreement, which became effective October 1, 2009, provided that a certified Advance Life Support (ALS) Firefighter who earned $15 an hour prior to October 1, 2009, will not receive a 6% increase on their $15 an hour base pay [i.e. $15.90 ($15 x 1.06)] on October 1, 2009. The new Agreement provides that certified ALS Firefighters will only $0.75 per hour ($15.00 X 5%) as "ALS Base Pay" and $0.16 per hour as (($15.00 X 1.05) X 1%) "ALS Supplement Pay".

Our audit test of a sample of 29 Fire Rescue employees that received both State Certified Paramedic and ALS Assignment pay supplements disclosed that the State Certified Paramedic five percent (5%) to the base for all 29 Fire Rescue employees that received both pay supplements (Paramedics and ALS) were incorrectly calculated and disbursed. It appears that the incorrect calculations may be due to a computer software programming error designed during the implementation of the new IAFF contract in October 2009. As a result of this programming error, all the 29 employees were overpaid during the one pay period tested. The overpayments for the 29 employees ranged from $5 to $24, and totaled $241.27 for the one (1) pay period tested.

However, our audit indicated that approximately 329 Fire Rescue employees received both Paramedic and ALS Assignment pay supplements during the period October 2009 through August 2010 (a total of 21 pay periods). Our audit test for the 29 employees tested as noted above indicated that the average overpayment was approximately $8.31 per employee for the one pay period tested. Therefore, we estimate that approximately $57,400 (329 x $8.31 x 21) of overpayments was disbursed to the 329 employees during October 2009 through August 2010. Although, this discrepancy was detected by Payroll and corrected effective August 14, 2010 pay period; the recovery of the overpayments to the 329 employees affected has not been initiated. Also, it should be noted that the overpayments as described above, inflated or overstated the employee’s average earning for the purpose of establishing pension benefits.

Recommendation:

We recommend that all overpayments be promptly recovered. In addition, we recommend that all excess contributions remitted to the FIPO Pension Trusts relative to the Paramedic and ALS Assignment pay supplements be recaptured.
Audit Response and Action Plan:

[X] I agree; [ ] I disagree. Please initial: df

Explanation: The cause of this finding has been corrected. The City is developing a software program that will calculate the overpayments by employee by pay period. This program is expected to be completed by 9/30/10. With this program, the Payroll section of Finance will begin recouping the overpayments in accordance with City pay policies and union contracts and MOUs.

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.

Diana Gomez

[Signature]

8/31/10

Date

Michelle Pina

[Signature]

Date
In response to the Audit Findings of Fire-Rescue Personnel/Payroll – Audit #11-005 please find my comments below:

**Improper Payment of Supplements (Special Pay):**

Employee 26998 ALS Assignment was correctly deleted 5/24/09 pursuant to Fire Department Official Notice. Upon the 10/24/09 CBA implementation ALS Assignment was automatically re-started. Although the cause is unknown, this action affected others in the sample group (Item 3 below).

The Oracle Statement of Earnings correctly shows the hourly rate for pay period ending 10/10/09, (immediately before CBA implementation) without ALS. On the first pay period after CBA implementation, pay period ending 10/24/09, ALS Assignment appeared as a new separate supplement.

The CBA implementation was processed by ER, therefore definitive information regarding how the historical records were retrieved is unknown. However, the improper payment of ALS assignment may have been caused by the utilization of incorrect historical records indicating ALS Assignment prior to 5/24/09 being used as a reference for the 10/24/09 CBA implementation.

**Simultaneous ALS Assignment and Acting Pay:**

The Collective Bargaining Agreement (CBA) requires Acting ALS pay if temporarily assigned over 4-hours for non-ALS Assigned firefighters. Fire Payroll enters this "ALS Acting" element with daily attendance. This element was incorrectly entered for some employees that were assigned ALS in their regular salary.

There were three principal causes identified below for ALS Assignment and Acting elements being paid simultaneously:
1. **Implementation of CBA:** (7 employees-9 transactions) On 10/24/09 Employee Relations, City Payroll, and ERP implemented a Fire-Rescue salary reduction/change which included the creation of separate supplements (previously within hourly rate). Upon implementation, employees identified were incorrectly paid ALS Base/Supplement. (CBA implementation by Employee Relations)

2. **Processing Delays in Personnel Action Forms:** (3 employees-4 transactions) These employees are NOT assigned ALS Base/Supplement and should not be paid this item, therefore the employee is correctly paid Acting ALS hours worked. The delay in processing Personnel Action Forms (PAF) results in the incorrect payment of the ALS Base/Supplement.

3. **Fire Payroll Data Entry Errors:** (15 employees) Fire Payroll Data Entries requiring improved Department internal controls.

   **Note:**

   #9 Employee 27615 was correctly paid retro-ALS Acting for dates worked before his ALS Base/Supplement assignment.

   #30 Employee 20121 has retired and Fire Payroll does not have access to review his records at this time. We have submitted a request to ERP for access to all Fire Rescue retiree payroll information.

**Overpayment /840 hours of ALS Acting:**

Employee 23821 was identified as overpaid 840 hours of ALS Acting pay period ending 9/26/09 as element entries. A corrective entry for the 840 hours of ALS Acting will be made.

The following corrective/preventative actions and Internal controls are being established:

1. Fire Payroll/Emergency Response staff will validate Acting ALS entries by reviewing the ALS Assignment list (pay period updated).
2. Fire Payroll will enter an Oracle Work Order that will prevent entry of Acting ALS with daily attendance for any employee based on Employee Relations / Payroll Statement of Earnings.
3. ALS Acting and ALS Assignment overpayments have been calculated along with other corrections by a recently established Fire Rescue Payroll Task Force. Payments or collections are currently pending in Employee Relations and City Payroll.
Anniversary Increases Processed with Incorrect Dates:

There were some concerns with the proper documentation required in order to process "step increases" and how they are to be differentiated from "anniversary increases". After further collaboration with Employee Relations a decision was made to process the appropriate pay related to the delays. Fire Payroll was not authorized to proceed until this matter was resolved.

Fire Payroll has been working with Oracle ERP, Employee Relations, and City Payroll to process retro calculations for said employees and will establish more efficient processing of Anniversary increases.
Date: December 10, 2010

To: Diana Gomez, Director, Finance Department
Larry Spring, Acting Director, Employee Relations Department

From: Victor I. Igwe, Independent Auditor General

Subject: Audit of the Fire-Rescue Department’s Personnel/Payroll and Related Financial Transactions and Operations – Audit #11-005
ALS Acting Pay

Dear Ms. Gomez and Mr. Spring:

Pursuant to our ongoing audit of the Fire-Rescue Department’s Personnel/Payroll and Related Financial Transactions and Operations for the period October 1, 2006 through September 30, 2009, and selected transactions prior and subsequent to this period, please confirm and/or clarify our understanding of the following and provide any additional records and/or documentation by December 23, 2010. This memorandum is addressed to the Finance and the Employee Relations Departments because the Payroll function was transferred from the Department of Employee Relations to the Finance Department in May 2010. Please collaborate in your response to the extent necessary.

Improper Percentage and Calculation of ALS Acting Pay

Section 18.15 of the agreement between the City and the International Association of Firefighter Local 587, stipulates that, “effective October 1, 2006, any person covered by this Agreement who is required to ride in an ALS position (all positions on Rescues, and ALS positions on paramedic Fire apparatus) who is not receiving ALS assignment pay shall be paid six percent...
(6%) above their currently hourly rate for all hours worked, provided that they ride in that capacity for a minimum of four (4) hours.” In addition, Section 18.13 of the agreement further stipulates that “effective October 1, 2009...State Certified Paramedics shall have their pay reduced as if their base had not been increased by nine (9%) and shall have the State Certified Paramedic fourteen (14%) carried as nine (9%) supplemental item and a five (5%) base pay increase.”

Based on deficiencies noted in another audit test performed as part of this audit field work, we requested all payment records for those employees who received “ALS Acting” pay during the audit period (10/01/06-09/30/10). Our examination of 150 payment records of employees who received “ALS Acting” pay disclosed that 124 employees were underpaid as follows:

- 90 of the 150 payment records reviewed indicated that 70 employees received only five percent (5%) for ALS Acting pay instead of six percent (6%) as stated in Section 18.15 of the IAFF agreement during the period 10/14/06 through 04/24/10; thus, resulting in underpayments ranging from $2.42 to $27.70 during a single pay period, for a total of $1,012.96. Based on the additional electronic records provided by the IT Department, which contained a total of 5402 payment records (including the 90 tested); we determined that approximately 498 employees received ALS Acting pay during the pay periods 10/14/06 through 04/24/10, and were underpaid approximately $52,720.

- 28 payment records indicated that 26 employees who received Paramedic pay, and worked ALS Acting during the period 10/24/09 through 04/24/10 received only five percent (5%) instead of six percent (6%) of ALS Acting pay, as required. Also, we noted that the ALS Acting pay was incorrectly computed and disbursed. The employee’s original hourly base rate was used, instead of the hourly base rate plus the Paramedic pay supplement; thus resulting in underpayments ranging from $3.14 to $64.75 during a single pay period for a total of $444.35. Based on the additional electronic records provided by the IT Department, which contained 751 payment records (including those 28 tested); we determined that approximately 168 employees received ALS Acting pay and Paramedic during the pay periods 10/24/09 through

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04/24/10. We estimate that the 168 employees were underpaid approximately $37,300 (i.e. average underpayment per employee tested $15.87 x approximate number of employees 168 x number of pay periods 14).

- 32 payment records indicated that 28 employees who received Paramedic pay, and worked ALS Acting during the pay periods 05/08/10 through 07/31/10, were improperly compensated. Our audit test indicated that ALS Acting pay was incorrectly computed and disbursed. The employee's original hourly base rate was used, instead of the hourly base rate including the Paramedic pay supplement; thus resulting in underpayments ranging from $1.05 to $7.53 during a single pay period for a total of $93.21. Based on the additional electronic records provided by the IT Department, which contained 409 payment records (including the 32 tested); we determined that approximately 134 employees received ALS Acting pay and Paramedic during the pay periods 05/08/10 through 07/31/10. We estimate that the 134 employees were underpaid approximately $2,700 (i.e. average underpayment per employee tested $2.91 x approximate number of employees 134 x number of pay periods 7) during the period 05/08/10 through 07/31/10 (7 pay periods).

The deficiencies noted above may have been caused by a system programming error in the Moore Payroll System (old payroll system) and in the Oracle System.

Recommendation:

We are aware that the ALS Acting pay percentage deficiency was corrected as of pay period ending 05/08/10. In addition, we are also aware that the calculation of ALS Acting pay, taking into consideration the correct hourly rate was corrected as of pay period ending 08/14/10; and that under the terms of a resolution issued on 08/31/10 (R-10-0348) and effective 09/30/10 modifications were made to the supplemental pay items noted above, and the issues noted in regards to the Paramedic and ALS pay will no longer apply. However, we recommend that the departments involved work together in order to correct and disburse any underpayments due to employees.
Auditee Response and Action Plan:

✓ I agree; □ I disagree. Please initial:  

Explaination: 

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 305-416-2044 or by email at vigwe@miamigov.com.

Thank you for your attention to this matter.

_________________________  
Diana Gomez

_________________________  
Larry Spring

Date: 12/26/10

Cc: Coral Vivolo, Staff Auditor, Office of the Independent Auditor General
    Maurice Kemp, Fire Chief
Date: February 9, 2011

To: Larry Spring, Chief Financial Officer/Acting Director of Employee Relations
    Peter Korinis, Chief Information Officer
    Diana Gomez, Director, Finance Department

From: Victor I. Igwe, Independent Auditor General

Subject: Audit of the Fire-Rescue Department’s Personnel/Payroll and Related Financial Transactions and Operations – Audit #11-005

Pursuant to our ongoing audit of the Fire-Rescue Department’s Personnel/Payroll and Related Financial Transactions and Operations for the period October 1, 2006 through September 30, 2009, and selected transactions prior and subsequent to this period, please confirm and/or clarify our understanding of the following and provide any additional records and/or documentation by February 17, 2011.

Overpayment for Hours above the Employee’s Assignment Hours (Excluding any Overtime and Special Pays)

Section 32.1 of the agreement between the City and the International Association of Firefighter Local 587 (Agreement) stipulates that, “the work week for twenty-four (24) hours shift employees shall be as follows: twenty-four (24) hours on duty, forty-eight (48) hours off duty. A day off, now known as an “R” day, shall be granted once every seven (7) scheduled tours. This schedule will result in forty-eight (48)-hour work week.” In addition, Section 32.2 of the Agreement states that, “shift employees may work an optional fifty-two (52) hour work week as follows: twenty-four hours on duty, forty-eight hours off duty, a day known as an “R” day shall be granted once every fourteen (14) scheduled tours.” Therefore, based on the terms of the labor union agreement, as described above, the maximum number of hours (without including overtime) that a firefighter could work during a two-week pay period will be 96 hours (i.e., for those that work 48 hours each week) or 104 hours (i.e., for those that work 52 hours each week).
We selected a sample of five (5) pay periods to verify whether the newly implemented Oracle Enterprise Resources Program (ERP) Phase II Oracle personnel/payroll system is properly accumulating, accounting for, and disbursing salaries based on the actual number of hours worked by firefighters, as provided Sections 32.1 and 32.2 of the union agreement. Our test of the said 5 pay periods disclosed that 44 firefighters received salary payments in excess of the maximum 96/104 as stipulated in Sections 32.1 and 32.2 of the union agreement. The earnings statements of the said 44 employees were reviewed, and the hours paid (i.e. regular wages, vacation, sick, etc., excluding any overtime and special pays) were compared to the employees assigned scheduled. Our test disclosed that the said 44 employees were overpaid additional hours ranging from 3 to 96 hours over their scheduled assignment hours. The total overpayment amounts ranged from $94.62 to $3,457.92 per employee for each pay period and for a total overpayment of approximately $34,100 for the 5 pay periods tested.

The City anticipated that the implementation of the Oracle Enterprise Resources Program (ERP) Phase II Oracle personnel/payroll system will go far in supporting the City’s expectation for greater accuracy and efficiency in this important payroll business process, which constitute over 75% of City’s budget. However, it appears that the newly implemented ERP personnel/payroll system processed and disbursed additional hours of salaries that the 44 employees never worked during the 5 pay periods tested. Please provide written explanation for this payroll system deficiency and what action is being taken to address this deficiency no later than February 17, 2011.

Supporting schedules are attached for your reference. If you have any questions, please feel free to contact me at 305-416-2044 or by email at vigwe@miamigov.com.

Thank you for your attention to this matter.

Cc: Maurice Kemp, Chief, Fire Department  
    Coral Vivolo, Staff Auditor