



# **REPORT TO THE CITY COUNCIL BY THE CITY INTERNAL AUDITOR**

## **SPECIAL REPORT DEPARTMENT OF OPERATIONAL SERVICES PUBLIC WORKS/STREETS AND DRAINAGE DIVISION**

**INTERNAL AUDIT REPORT 650001-06**

**AUGUST 6, 2001**



**August 6, 2001**

**Councilman Thomas G. Carmody  
Shreveport City Council Chairman**

**Dear Councilman Carmody:**

**Subject: SR650001-06 - Special Report - Department of  
Operational Services, Public Works/Streets and Drainage  
Division**

**Attached please find the report mentioned above.  
Management comments are included in the report.**

**Sincerely,**

**Leanis L. Graham, CPA, CIA  
City Internal Auditor**

**jm**

***SPECIAL REPORT***  
**DEPARTMENT OF OPERATIONAL SERVICES**  
**PUBLIC WORKS/ STREETS AND DRAINAGE DIVISION**  
**INTERNAL AUDIT REPORT (IAR) SR650001-06**

**OBJECTIVE**

We have completed a limited review of documents supporting payroll expenditures pertaining to the Department of Operational Services' (DOS) Public Works/Streets and Drainage Division. Our objective was to determine the adequacy, appropriateness and compatibility of the referenced documents in supporting related payroll disbursements.

**SCOPE AND METHODOLOGY**

Fieldwork was performed in accordance with applicable generally accepted governmental auditing standards as defined in Operating Instruction A.55 of the Internal Audit Office Operating Instructions Manual. Our review was limited to evaluating general controls surrounding the specific issues addressed. We reviewed pertinent documents and held discussions with operating personnel, as necessary, consistent with our objectives.

**BACKGROUND**

The Streets and Drainage Division is responsible for the maintenance of hundreds of miles of streets, alleys, roadside ditches, and drainage canals within the City.

Work crews often must respond to after-hour emergency situations resulting from catastrophic events such as inclement weather or mishaps. The latter usually results in employees working overtime hours requiring additional wage compensation.

Our work resulted from an allegation received on the *Fraud Hotline* (FHL) indicating that timekeeping personnel may have manipulated regular and overtime wage data for certain employees by incorrectly inflating their hours worked.

We wish to express our sincere appreciation to Streets and Drainage personnel for their invaluable assistance during the course of our fieldwork.

**CONCLUSIONS/FINDINGS/RECOMMENDATIONS**

Our tests and observations uncovered numerous discrepancies between data shown on time clock cards

and the corresponding time and attendance reports submitted by crew supervisors for payroll purposes.

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Our review of time and attendance data documented that overpayments could have exceeded \$60,000 over a three-month period because there was inadequate evidence to support data submitted for payroll disbursement (the discrepancies noted either showed inconsistencies in time card and time sheet data, lacked clocked in/out times, or neglected written supervisory review and approval).

### 1. Incompatible Time and Attendance Data

**Criteria:** The division has followed a time and attendance policy that requires employees to “punch” in and out on a time clock at the beginning and end of each work day. The time cards indicate all time worked by each employee, including overtime, on a daily and weekly basis. A summarized weekly time report (Hourly Attendance Report), based on time card data, is prepared by crew supervisors which shows each crew member and their total hours worked. Therefore, information contained on the time card and weekly time report should be compatible and form the basis to support individual wages earned and paid to each employee.

**Condition:** Information shown on time cards and related time reports could not be reconciled. Based on our review of documents for the pay periods from November 27, 2000, through February 25, 2001, we noted that in approximately 1,728 instances the data reflected on the two documents was incompatible. (We examined weekly paying documents over this three-month period for six crews consisting of approximately 15-25 members per crew.)

We also noted that workers were compensated with overtime pay without proper support or explanations.

#### **Effect:**

- < These unsupported hours could result in possible overstated payroll disbursements of as much as \$60,000.
- < The appearance and possibility of payroll fraud.
- < Waste, fraud and abuse of public funds.
- < Malfeasance in office by responsible supervisors.

**Cause:** Crew supervisors’ lack of adherence to established policies and guidelines by allowing employees to:

- < Work without punching either in or out, on the time clock,
- < Write in their time on time cards

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**Recommendation:** The Deputy Director of Public Works and Superintendent of Streets and Drainage Division should take immediate action to ensure that:

- < The concerns noted above are corrected.
- < Crew supervisors verify that the number of hours reported on the Hourly Attendance Report reconciles with the appropriate time cards. These documents should agree and form the basis for resulting payroll disbursements.
- < Justification for overtime hours in case of emergency situations is properly documented.

We also suggest that the current policy requiring employees to clock in and out daily as evidence of actual hours worked be revamped to ensure the integrity of data being relied upon for payroll purposes. Management should consider purchasing time-keeping devices, such as a hand-print reading device, that would reduce the incidence of employees clocking in and/or out for fellow employees.

Additionally, management should consider assessing penalties on individuals that violate established timekeeping policy.

#### **Management's Plan of Action:**

1. Write and distribute formal departmental policy.
2. Purchase two (2) HandScan Time Clocks.

**Timetable:** Purchase of time clocks (Hand Scan) as soon after 2002 budget is in place as possible. Formal policy then written and implemented by September 1, 2001. Intermediate policy letter already written and distributed to every employee.

## **2. No Formal Time and Attendance Policies**

**Criteria:** Formal time and attendance policies help to ensure consistency and accuracy of payroll processing.

**Condition:** There were no documented policies and procedures governing departmental time and attendance. We noted that the current practice by the division for the validation of time and attendance data requires that:

- < Employees confirm their presence for duty by punching in and out on a time clock.
- < Supervisors attest as to each employee's actual hours worked each day via a weekly "Hourly Attendance Report."

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- < A payroll clerk enters adequately supported payroll data into the computer system.

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However, we noted that the division's employees, supervisors, and administrative support personnel were not properly or consistently complying with the established practices. Because our review indicated that the integrity of payroll supporting documents was consistently questionable and that the accuracy of data inputs was not being verified by responsible individuals, it appears that more formal guidelines should be adopted to ensure proper compliance and integrity of payroll processing.

### **Effect:**

- < Inefficient management of available manpower resources.
- < Inability to comply with established budgetary constraints.
- < Failure to comply with or meet established goals and objectives.
- < Inconsistent timekeeping practices.

**Cause:** Lack of effective direction.

**Recommendation:** The Deputy Director of Public Works should take appropriate action to ensure that all employees become effectively informed on specific responsibilities regarding departmental policies and guidelines. Formal time and attendance policies should be developed, adopted, and communicated to address the problems noted in the above finding. Emphasis should be placed on employees' awareness of the value placed on the integrity of information generated within the division.

<**Auditor's Note**> On July 18, 2001, after management was advised of the discrepancies noted in this report, management issued formal instructions to address the payroll/timekeeping abuses discovered.

**Management's Plan of Action:** Write and distribute formal departmental policy to support Public Works policy noted above.

**Timetable:** September 1, 2001

### **3. Time Card/Time Sheet Approvals**

**Criteria:** Adequate internal controls dictate that time cards and time sheets should contain appropriate signatures by employees and employees' supervisors. Signatures on time cards and time sheets are part of the payroll approval process which is performed to ensure integrity and accuracy for payroll processing.

**Condition:** We noted numerous time cards that were not signed by the employees. In addition, we noted that the time reports, which are completed by crew supervisors and utilized to generate payroll disbursements, were not signed by the supervisors.

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### Effect:

- < Errors in processing payroll may occur.
- < Employees may not be properly paid for time worked.
- < Inadequate supervisory review, approval, and authorization.

**Cause:** Lack of effective supervisory review.

**Recommendation:** Management should ensure that payroll time cards turned in for processing are monitored to assure that they are signed by the employees. In addition, management should adopt a policy which requires time sheets to be signed by the appropriate crew supervisor. Time cards and time sheets which are not signed should be returned for the appropriate approval. If signatures are unattainable, documentation of efforts should be maintained.

**Management's Plan of Action:** Beginning with the first submission of time cards and time sheets after the date of this report, any unsigned documents will be returned for appropriate signatures.

**Timetable:** Done.

Prepared by:

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Staff Auditor

Approved by:

Leanis L. Graham, CPA, CIA  
City Internal Auditor

BL:jm

c: Mayor  
CAO  
City Attorney  
City Council  
External Auditor  
Director of Finance  
Director of Personnel

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Director, Department of Operational Services