



CITYWIDE KRONOS/MUNIS

SPECIAL AUDIT

JULY 1, 2012 THROUGH JUNE 30, 2013

**CITY OF CHESAPEAKE, VIRGINIA
AUDIT SERVICES DEPARTMENT**

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June 30, 2014

The Honorable Alan P. Krasnoff and
Members of the City Council
City of Chesapeake
City Hall – 6th Floor
Chesapeake, Virginia 23322

Dear Mayor Krasnoff and Members of the City Council:

We have completed our review of the City of Chesapeake Virginia's (City's) Kronos/MUNIS timekeeping and payroll systems for the period July 1, 2012 to June 30, 2013. The purpose of this audit was to evaluate the effectiveness of departmental payroll processing procedures and practices under the new systems subsequent to their recent implementation. The audit reviewed operational timekeeping and payroll practices in the City largest departments as well as citywide control practices on a selective basis.

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 to provide a reasonable basis for our findings and conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

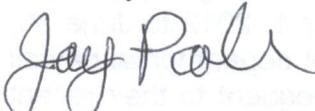
In Fiscal Year 2008, the City appropriated \$6,233,903 to acquire a new Human Resources Information System. The Citywide Kronos and MUNIS systems provided essential services for the City. Their primary purpose was to provide accurate reporting of employee work time, retain those accounts, provide usable and timely reports for supervisory and management review, and process the City's payroll. The City had approximately 80 system users who processed personnel and payroll transactions for the City's 3,592 employees.

To conduct this audit, we reviewed various aspects the Kronos/MUNIS system including contract requirements and the implementation process. We also interviewed staff from City departments including Human Resources, Finance, Public Works, Police, Fire, Sheriff, Public Utilities, Parks and Recreation, Libraries, Community Services Board (now Chesapeake Integrated Behavioral Healthcare), and the City Manager.

Based on our review, we determined that the Kronos/MUNIS implementation had gone predominantly as planned and, overall, the system functioned effectively as designed. However, the City's decision to postpone the implementation of arrears and the bi-weekly pay cycle has resulted in "workarounds" that adversely impacted the efficiency of the payroll process and cause confusion among some employees. We also identified concerns related to Personnel Actions, the lack of a MUNIS-PeopleSoft interface, training, and time clocks.

This report, in draft, was provided to the City's Human Resources and Finance staff for review and response. Their comments have been considered in the preparation of this report. These comments have been included in the Managerial Summary, the Audit Report, and Appendix A. All of the Human Resources, Finance and other City departments were very helpful throughout the course of this audit. We appreciated their courtesy and cooperation on this assignment.

Sincerely,



Jay Poole
City Auditor
City of Chesapeake, Virginia

- C: James E. Baker, City Manager
- D.L. Mears, Director of Human Resources
- Nancy C. Tracy, Director of Finance

Managerial Summary

A. Objectives, Scope, and Methodology

We have completed our review of the City of Chesapeake Virginia's (City's) Kronos/MUNIS timekeeping and payroll systems for the period July 1, 2012 to June 30, 2013. The purpose of this audit was to evaluate the effectiveness of departmental payroll processing procedures and practices under the new systems subsequent to their recent implementation. The audit reviewed operational timekeeping and payroll practices in the City largest departments as well as citywide control practices on a selective basis.

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 to provide a reasonable basis for our findings and conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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Major Observations and Conclusions

Based on our review, we determined that the Kronos/MUNIS implementation had gone predominantly as planned and, overall, the system functioned effectively as designed. However, the City's decision to postpone the implementation of arrears and the bi-weekly pay cycle has resulted in "workarounds" that adversely impacted the efficiency of the payroll process and cause confusion among some employees. We also identified concerns related to Personnel Actions, the lack of a MUNIS-PeopleSoft interface, training, and time clocks.

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B. Background

Prior to the implementation of the replacement system, the City maintained a legacy Human Resources (HR) / Payroll Resources (PR) system used by Human Resources staff along with Finance Department payroll staff. The new Kronos/MUNIS system was designed to improve the City's operational efficiency and effectiveness by eliminating the significant amount of paper-based processes, redundant data collection, reliance on standalone systems, and duplicate business functions. It was also intended to more effectively allow the City to harness the technological and system-wide features of modern systems. However, the City's decision to postpone implementation of a bi-weekly payroll cycle in arrears during the system implementation did have some adverse impacts on this operational efficiency.

C. Operational Findings

Based on our review, we determined that the Kronos/MUNIS implementation had gone predominantly as planned and, overall, the system functioned effectively as designed. However, the City's decision to postpone the implementation of arrears and the bi-weekly pay cycle has resulted in "workarounds" that adversely impacted the efficiency of the payroll process and cause confusion among some employees. We also identified concerns related to Personnel Actions, the lack of a MUNIS-PeopleSoft interface, training, and time clocks.

1. Payroll Schedule

Finding – The City utilized a significant number of "workarounds" to process payrolls. At least some of these workarounds were the result of the City's decision to continue semi-monthly payrolls paid in the current pay period (current) rather than transition to bi-weekly payrolls with payment in arrears. Additionally, reconciliation of semi-monthly pay against municipal work cycles was labor intensive and required excessive attention from supervisors and managers to accurately manage time records.

Recommendation – To reduce workarounds, errors, and adjustments, the City should evaluate whether the time is appropriate to consider 1) moving to arrears, and 2) implementing a bi-weekly payroll schedule.

Response – Currently, the City prepares 76 payrolls per year. Of those 76 payrolls, 52 (weekly) are paid in arrears (Monday through Sunday paid the following Friday).

The remaining 24 (semi-monthly) payrolls are paid currently with the hours earned on and through the 15th and the 30th (31st) of the month. Paying employees simultaneously with hours earned results in some employees receiving paychecks which contain hours for which they have not yet worked.

2. Personnel Action Request Processing

Finding – Personnel Action (PA) requests were typically processed through use of a paper request and routed by hand.

Recommendation – The City should take steps automate the process and eliminate the paper Personnel Action Forms.

Response – Although the MUNIS HR/Payroll system has the capability to allow automated personnel actions, there are challenges associated with the use of the functionality. Many personnel actions are accompanied by additional documentation, e.g. the Clearance Form (for terminations), the Personnel Action Addendum (for supervisor changes), the employment application (for promotions), and miscellaneous memos in support of various actions. The additional documentation must be submitted along with the personnel action to ensure the appropriate justification for the action is captured in the employee’s personnel record.

3. Timing of Personnel Actions

Finding – Timing of personnel actions, specifically those that affected pay, required additional attention due to the conflicts between pay periods and shift schedules.

Recommendation – The City may wish to consider developing an alternate procedure that standardizes the timing of PA processing for these employees.

Response – The mismatch between an employee’s work period (cycle) and the established pay periods as described in the audit report is unavoidable. This issue is primarily associated with public safety employees. The work periods for public safety employees are based on the Fair Labor Standards Act which establishes overtime thresholds based on work periods. Supervisors do have the capability to specify a range of dates in Kronos corresponding to the public safety work periods to aide in their review of employee timecards. Human Resources will work with the public safety departments to ensure they understand the functionality within Kronos that is available to them.

4. MUNIS and PeopleSoft Interface

Finding – MUNIS did not directly communicate with the City’s PeopleSoft Financial system.

Recommendation – The City should continue to evaluate whether the vendor can satisfactorily address the issue.

Response – There are currently two interfaces between the MUNIS and PeopleSoft systems. One interface passes “combo codes” (GL strings) from PeopleSoft to MUNIS so that the chart of accounts for MUNIS can be in-sync with PeopleSoft. The second interface exports the journal entries from MUNIS to PeopleSoft after each payroll so that those journals can be recorded in PeopleSoft. These interfaces are used on a weekly basis.

5. Training

Finding - Several departments indicated that they might benefit from additional system training

Recommendation - The City should explore methods of increasing the frequency of HRIS system-related training

Response – We currently offer training to all departmental payroll clerks on a quarterly basis. These training sessions focus on a variety of payroll and HR issues and include HRIS-related topics such as how to process sick leave repayments in Kronos and how to enter performance evaluation scores and address changes in MUNIS. In January 2014, Human Resources began offering monthly Kronos training sessions and providing hands on computer assistance to all supervisors. Monthly training sessions will be offered for approximately 6 months to meet current demand, and then a regular schedule of quarterly Kronos training will be established. We will continue to monitor the demand for training and work to address the needs identified.

6. Time Clocks

Finding – Not all time clocks were strategically placed and/or identified for field workers.

Recommendation – The City should take steps to make time clocks more accessible where necessary. Additionally, the City should provide a mechanism for punching in and out for identified groups of employees. This mechanism should have GPS information for management review to ensure the integrity of the timekeeping.

Response – During the installation of the Kronos time clocks, meetings were held with all City departments. Department representatives ultimately made the decision of where the clocks were located throughout the City. The time clocks are available for all employees to access when they are working away from their primary work locations. A map showing the Kronos clock locations was distributed to all Departments during the initial implementation. If a time clock is not located in a satisfactory area, a department may submit an IT helpdesk ticket to move the time clock to a more convenient area. The IT department is able to relocate a time clock as long as electrical power and network access is within range of the desired new location.

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Table of Contents

<u>Contents</u>	<u>Page</u>
A. Objectives, Scope and Methodology	1
B. Background	3
C. Operational Findings	7
Appendix A – Responses from Human Resources, Finance, and Information Technology	

A. Objectives, Scope, and Methodology

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Methodology

To conduct this audit, we reviewed various aspects the Kronos/MUNIS system including contract requirements and the implementation process. We also interviewed staff from City departments including Human Resources, Finance, Public Works, Police, Fire, Sheriff, Public Utilities, Parks and Recreation, Libraries, Community Services Board (now Chesapeake Integrated Behavioral Healthcare), and the City Manager. Specifically, we reviewed the following areas:

- Tested various features of Kronos for accuracy and functionality
- Reviewed reports generated from Kronos and MUNIS
- Reviewed payroll adjustments from Police and Fire for selected pay periods.
- Observed payroll technicians entering payroll data
- Conducted timing tests of payroll schedules
- Reviewed Fair Labor Standards Act (FLSA) requirements
- Reviewed implementation contract and supporting documentation
- Contacted neighboring localities to discuss payroll practices
- Reviewed City Ordinances and City Council Meeting minutes
- Reviewed Information Technology help desk logs during implementation period
- Reviewed and tested various default settings in Kronos and MUNIS
- Reviewed implementation and subsequent training provided to payroll clerks
- Reviewed PeopleSoft payroll cost data for two years
- Reviewed Kronos/MUNIS surveys of employees from Police and Libraries

B. Background

Prior to the implementation of the replacement system, the City maintained a legacy Human Resources(HR)/Payroll Resources(PR) system used by Human Resources staff along with Finance Department payroll staff. The new Kronos/MUNIS system was designed to improve the City's operational efficiency and effectiveness by eliminating the significant amount of paper-based processes, redundant data collection, reliance on standalone systems, and duplicate business functions. It was also intended to more effectively allow the City to harness the technological and system-wide features of modern systems. However, the City's decision to postpone implementation of a bi-weekly payroll cycle in arrears during the system implementation did have some adverse impacts on this operational efficiency.

1. Legacy System

Prior to the implementation of the replacement system, the City maintained a legacy Human Resources (HR) / Payroll Resources (PR) system used by Human Resources staff along with Finance Department payroll staff. There were also 80 staff members throughout the City that handled departmental HR/Payroll functions and utilized a mainframe HR/Payroll processing environment to serve the City's 3,592 employees.

The mainframe system processed transactions using batch updates. The HR/PR business processes used a mix of automated and manual work activities. A large portion of the work activities were based upon a paper Personnel Action Form that initiated changes in employee status, pay, job information, and so on. The City processed approximately 18,000 Personnel Action forms annually.

The City also used the Kronos Workforce Timekeeping System to track time for approximately 12 % of the employee workforce. The Kronos timekeeping data for hourly employees was loaded into the HR/PR system via an interface. The remainder of the hourly work time was recorded through data entry that was performed by the departmental payroll staff. Salaried employees' time exceptions were processed as part of the City's semi-monthly payroll.

Core business processes included HR Position Management, Payroll, Benefit Plan Participation, Benefits Administration, and retiree management. Organizationally, Finance was responsible for Payroll and Benefits Administration, while Human Resources was responsible for Personnel Actions, Position Control, and the negotiation and selection of overall benefit plans. In 2008, the City Council approved and funded the HR/PR Replacement through a Capital Improvement Project, with an appropriation of \$6,233,903.

2. Kronos/MUNIS System Implementation

After the completion of a competitive Request-for-Proposal (RFP) selection process, the City selected Tyler Technologies as the vendor for the new system. Kronos would continue to be used as the City's primary timekeeping resource, while MUNIS, a

Tyler product, would be used for personnel transaction and payroll processing. According to the City's Statement of Work for the new system:

"The goal of the project is a successful implementation of the MUNIS Human Resources and Payroll system at the (City) and is the result of a number of factors related to a collaborative approach of doing business which includes:

- Setting Realistic Expectations and Meeting Them
- Understanding the Roles and Responsibilities of the (City) and Tyler
- Allotting Proper Time for Planning, Training and Testing
- Determining Proper Allocation of Resources on the Part of Both Parties
- Fostering teamwork, Communication and Effective Change Management

The objectives of this project are as follows:

- To update (City) technology architecture.
- To improve the operational efficiency and effectiveness of the (City) by eliminating the significant amount of paper-based processes, redundant data collection, reliance on standalone systems, and duplicate business functions between the various departments and agencies.
- To more effectively allow the (City) to harness the technological and system-wide features of modern systems such as workflow to enhance process efficiencies, and the transmission of relevant data to efficiently meet current and future Federal and state reporting requirements.
- To supply more accurate and up-to-date information to (City) decision-makers with a user-friendly system to ensure the best decisions for the (City).
- To create of set of stand document for training and manuals in a centralized system for the staff to learn (City) business processes to perform their jobs.
- To enable accurate, accessible and timely reporting to end-users at all levels of the organization.
- To provide more stakeholders with the tools to create their own queries and reports to capture and use the data that is critical to their jobs."

Software modules to be implemented included the following:

- Accounting/GL/BG/AP
- Business Objects Bundled
- HR Management
- MUNIS Office
- Payroll w/Employee Self Service (ESS)
- System Admin & Security
- Tyler Forms Processing
- Tyler GoDocs
- Workflow HR
- Role tailored dashboard
- Tyler Content Manger – Enterprise

An Executive Steering Committee and Implementation Team Liaison worked with the vendor to ensure a seamless transition to the Kronos/MUNIS system without interruption of payroll. There have been several updates of MUNIS, Kronos, PeopleSoft and supporting system software such as Java since the “go live” date. Subsequent to implementation, IT support and HR support have responded to employees, supervisors, and managers found issues to resolve any issues which arise in a timely fashion. As a result, City staff believed that most of the goals and objectives of the project had been achieved.

Exhibit 1
Kronos/Munis implementation Timeline

DATE	EVENT
5/13/2008	City Council funded the HR/PR Replacement through a Capital improvement Project
10/31/2008	City initiated a “Request for Proposals”
12/30/2008	Responses due.
5/26/2009	City Council changes ordinances to allow bi-weekly pay and arrears.
8/14/2009	City Manager announces decision to keep semi-monthly pay schedule and not move to arrears.
9/8/2009	City entered into contract with vendor to transition from legacy system to Kronos/Munis.
4/1/2011	“Go Live” date for Kronos/Munis.

3. Arrears/Bi-Weekly Payroll Implementation Postponement

The City had originally intended to implement the new payroll system by 1) adjusting the pay schedules so that all employees were paid one week in arrears and 2) moving all employees to a bi-weekly pay cycle from the existing weekly, monthly, and semi-monthly pay-cycles, thereby reducing the number of payrolls processed from 76 to 26. To facilitate this change, on May 26, 2009, a City Ordinance was approved “to eliminate references to weekly, monthly, and semi-monthly payrolls in order to provide for the implementation of bi-weekly payrolls”.

However, as the implementation progressed, a number of employees began to object to the proposed bi-weekly payroll cycle, citing the reduced pay amount received in the bi-weekly checks (Note: total annual pay and the hourly rate would remain the same). After hearing these concerns for several months, the (previous) City Manager decided to postpone the implementation of arrears and bi-weekly payroll indefinitely. The following are excerpts from his August 14, 2009 memorandum advising City employees of this decision:

“Many of you have raised concerns regarding the financial challenges in having to convert to a new pay cycle. **We value your opinions and after careful consideration, we have decided to leave the existing pay cycles in place at this time.**

Transitioning to a City-wide bi-weekly payroll would clearly have been a more efficient implementation into the new Human Resource Information System (HRIS); however, in these difficult economic times, the transitional concerns raised by you, my fellow employees, over-shadowed the “business case and best management practice” as recommended both externally and internally.

At some point in the future, now that we have more time to work through this issue, I will pull together a task force of employees from each department to offer recommendation on how to improve our business practices around payroll and other key areas with the goal of improving the efficiency of our organization”.

The decision to postpone implementation of the arrears and bi-weekly payroll has had implications for the City. Some of these implications will be highlighted in this report.

C. Operational Findings

Based on our review, we determined that the Kronos/MUNIS implementation had gone predominantly as planned and, overall, the system functioned effectively as designed. However, the City's decision to postpone the implementation of arrears and the bi-weekly pay cycle has resulted in "workarounds" that adversely impacted the efficiency of the payroll process and cause confusion among some employees. We also identified concerns related to Personnel Actions, the lack of a MUNIS-PeopleSoft interface, training, and time clocks.

1. Payroll Schedule

Finding – The City utilized a significant number of "workarounds" to process payrolls. At least some of these workarounds were the result of the City's decision to continue semi-monthly payrolls paid in the current pay period (current) rather than transition to bi-weekly payrolls with payment in arrears. Additionally, reconciliation of semi-monthly pay against municipal work cycles was labor intensive and required excessive attention from supervisors and managers to accurately manage time records.

Best practices of the American Payroll Association cited payment in arrears as the most efficient method for payroll processing. Similarly, many private sector, state, and local government entities utilized a bi-weekly payroll cycle. Using a bi-weekly payroll cycle allowed these organizations to better match hours worked with hours paid, because total hours worked (including leave time used) could be more easily reconciled against total hours paid (i.e. 80 hours in a two-week period for most employees).

We noted that the City had to use a significant number of "workarounds" to process payroll. According to surveys conducted by two departments and interviews with those departments and seven others, supervisors indicated that making adjustments to timecards and monitoring cycle time against scheduled pay consumed a significant portion of their time. All nine departments had shift work or shift cycles that did not coincide with the City's semi-monthly pay schedule. These departments represented 81.83% of the City's authorized full-time-equivalent employees (FTEs).

In addition, City payroll adjustments such as annual leave, sick leave, leave without pay and overtime were incorporated into City payrolls by exception. However, since payroll data had to be submitted approximately seven days prior to the semi-monthly pay date (i.e. the 15th or the 30th) any leave or overtime incurred subsequent to the seven-day deadline was not reflected in that payroll, subjecting the payroll to potential inaccuracies and requiring subsequent adjustments to correct any errors. Exhibit 2 highlights the constant shifts in payroll approval deadline and check dates.

Exhibit 2
Schedule of Pay Period, Deadline, and Check Dates

Pay period begin date	Pay period end date	All PAs due to HR	Time approved by Dept Head	Dept Head approval day	Finance sign-off of Kronos	Check date	Check day
1/1/2013	1/15/2013	1/3/2013	1/8/2013	Tuesday	1/8/2013	1/15/2013	Tuesday
1/16/2013	1/31/2013	1/16/2013	1/23/2013	Wednesday	1/23/2013	1/30/2013	Wednesday
2/1/2013	2/15/2013	2/4/2013	2/7/2013	Thursday	2/7/2013	2/15/2013	Friday
2/16/2013	2/28/2013	2/18/2013	2/21/2013	Thursday	2/21/2013	2/28/2013	Thursday
3/1/2013	3/15/2013	3/4/2013	3/7/2013	Thursday	3/7/2013	3/15/2013	Friday
3/16/2013	3/31/2013	3/18/2013	3/21/2013	Thursday	3/21/2013	3/29/2013	Friday
4/1/2013	4/15/2013	4/2/2013	4/5/2013	Friday	4/5/2013	4/15/2013	Monday
4/16/2013	4/30/2013	4/19/2013	4/23/2013	Tuesday	4/23/2013	4/30/2013	Tuesday
5/1/2013	5/15/2013	5/3/2013	5/8/2013	Wednesday	5/8/2013	5/15/2013	Wednesday
5/16/2013	5/31/2013	5/20/2013	5/23/2013	Thursday	5/23/2013	5/30/2013	Thursday
6/1/2013	6/15/2013	6/4/2013	6/7/2013	Friday	6/7/2013	6/14/2013	Friday
6/16/2013	6/30/2013	6/18/2013	6/21/2013	Friday	6/21/2013	6/28/2013	Friday

In reviewing City payroll activities we noted the following:

- No shift or work schedules matched the 86.6666 hours most semi-monthly employees were paid for during a typical pay period. Instead, employees usually worked 80, 88, or 96 hours, depending on the calendar. Also, although most employees were assigned Monday through Sunday work periods, multiple shift and work cycles were utilized by the various departments.
 - Firefighters worked 21-day shifts with seven 24-hour work periods, totaling 168 hours during the cycle. However, since they were paid for 2,912 hours annually, they were paid for 121.3333 hours in each of the 24 semi-monthly pay periods.
 - Sheriff's Deputies and most Police Officers had 28-day rotating shift cycles.
 - Uniformed Police (UPS) or Street Patrol Officers, had 15-day work cycles with assigned shifts of five days on, two days off, five days on, followed by three days off. State law required overtime payment above the scheduled 85 hours when actual hours worked exceeded scheduled work hours.
 - Police K-9 officers had 24-day work cycles that included payments for the caring of their K-9 police dogs.
 - Public Utilities Water Treatment Plant staff had alternating work weeks of 36 hours and 48 hours. Thus, in a semi-monthly period, they might work as many as 96 hours or as few as 72.
 - 911 dispatchers had shift work schedules where they worked 12 hours one day split between two FLSA pay periods, followed by two more 12 hour days and one ten hour day.
 - The Community Services Board had 24-hour service, with employees covering rotating shifts as required.
- During the pay period of 9/1-9/30/2013, the 911 Division of the Police had 150

adjustments to timecards for 57 employees. The common adjustment was to correct missed punches and sick leave. Similarly, during the pay period of 11/1-11/15/2013, Fire had 1,216 adjustments to timecards for 434 employees. The most common adjustment was to correct missed punches and sick leave.

- In addition to one full-time and one part-time payroll technician, Fire hired an ENCORE employee to assist in making adjustments to timecards to ensure coordination between Fire's 21-day shift schedule (168 hours) and the City's semi-monthly pay schedule.
- Supervisors frequently reviewed their employees' timecards to minimize or prevent overtime, creating additional work in addition to approving timecards for semi-monthly pay processing.

Two survey comments, one from a Police Officer and another from a Police Supervisor, summarized the situation:

"I wish there was a way to approve all 28 days of the cycle at the end. This would make more sense when time adjusting."

"It is also confusing approving time cards and making sure there is no overtime when approving time cards. Our cycle dates do not match up with Kronos approval dates. Is there any way to have our cycles match up with what we are actually working." ... "It would be better for UPS if the pay periods were set up as cycles rather than the 15th and 30th pay periods the City uses. When errors are located in a certain cycle, it cannot always be fixed because it occurred in a previous City pay period. Those dates are then locked out. A historical edit is then required before it can be approved."

This situation resulted from the City's August 14, 2009 decision to keep the City's pay system current, semi-monthly, and adjusted on an exception basis rather than moving to a bi-weekly payroll in arrears as had been recommended by City staff, agreed to by the vendor, and allowed by May 26, 2009 City Ordinance changes. As we noted, most of the employee transitional concerns centered around the smaller amount of the bi-weekly checks relative to the semi-monthly checks as well as the move to arrears. However, the greater frequency of the bi-weekly checks offset this disadvantage. Additionally, employees received the same hourly pay rate regardless of the pay schedule.

The continuation of existing and inefficient payroll practices resulted in increased supervisory review and effort in reconciling shift cycles against the semi-monthly pay schedule. Also, since pay periods did not correspond to hours worked, it meant that there were frequent errors in leave and other payroll items that required adjustments.

Recommendation – To reduce workarounds, errors, and adjustments, the City should evaluate whether the time is appropriate to consider 1) moving to arrears, and 2) implementing a bi-weekly payroll schedule.

Moving to arrears will allow supervisors to more comprehensively account for the pay of their employees with fewer required adjustments, resulting in greater payroll accuracy. Moving to a bi-weekly payroll and adjusting the work cycles accordingly would reduce the confusion associated with reconciling the differences between the work cycles and pay cycles, allowing both supervisors and employees to better match hours worked against hours paid. Furthermore, this reconciliation could occur for all the City's existing work schedules.

We also believe that this may be an appropriate time for the City to consider these options. We noted that, on October 22, 2013, Virginia Beach City Council appropriated \$3.45 million dollars to transition from making payroll payments on a current basis to paying them nine days in arrears. This funding was used to provide employees with a regular scheduled paycheck during the arrears transition process. Virginia Beach originally had also implemented their new system with a semi-monthly payroll, but had appropriated these funds to transition to arrears. Virginia Beach was also considering transitioning to bi-weekly payrolls.

Response – Currently, the City prepares 76 payrolls per year. Of those 76 payrolls, 52 (weekly) are paid in arrears (Monday through Sunday paid the following Friday). The remaining 24 (semi-monthly) payrolls are paid currently with the hours earned on and through the 15th and the 30th (31st) of the month. Paying employees simultaneously with hours earned results in some employees receiving paychecks which contain hours for which they have not yet worked.

Although using a bi-weekly payroll in arrears could eliminate workarounds the City currently performs each semi-monthly pay period, alternative work schedules that do not align exactly with the proposed pay schedule will require further discussion across departments in the City to provide greater understanding of advantages and disadvantages. Once the budget process is complete, a committee comprised of both administrative and operational departments under the direction of the City Manager, including those with unique alternative work schedules, will create a task force to evaluate the feasibility and practicality of moving the City to a bi-weekly payroll in arrears. The City Attorney's office will be asked to provide guidance on alternative work schedules as they relate to the Fair Labor Standards Act (FLSA) that govern work schedules and overtime calculations for Public Safety and those that operate 24 hours seven days a week.

2. Personnel Action Request Processing

Finding – Personnel Action (PA) requests were typically processed through use of a paper request and routed by hand.

The Statement of Work section of the City's 2010 MUNIS/Kronos implementation contract states, "The system will eliminate the City's paper Personnel Action Forms through automation and eliminate ineffective and redundant manual and paper-intensive operations and introduce functionality to process transactions efficiently and effectively."

Thus, it anticipated that the process would be automated.

In reviewing PA forms, we noted that the City continued to use a paper-driven manual process. Departments submitted paper versions of PA forms and PA addendums to Human Resources for verification and entry. Emails and documented phone calls were also used for minor changes. This system did not provide adequate safeguards to ensure that original record information was adequately maintained, and corresponding changes from PA requests and PA addendums were accurate as well.

This condition existed because the City had not yet automated the PA submission process. The City also had not established historical records safeguards. As a result, Human Resources was required to expend additional effort to maintain the records and provide copies of requested changes. In addition, City departments experienced difficulties in tracking the status of their PA transactions.

Recommendation – The City should take steps automate the process and eliminate the paper Personnel Action Forms.

The City is attempting to work with the vendor to automate the PA process, as noted in the contract. Once the automation process is initiated, the City should also ensure that the process includes safeguards that ensure that the accuracy of the data submitted is maintained. Automating the process should also aid departments in tracking the status of their PA transactions.

Response – Although the MUNIS HR/Payroll system has the capability to allow automated personnel actions, there are challenges associated with the use of the functionality. Many personnel actions are accompanied by additional documentation, e.g. the Clearance Form (for terminations), the Personnel Action Addendum (for supervisor changes), the employment application (for promotions), and miscellaneous memos in support of various actions. The additional documentation must be submitted along with the personnel action to ensure the appropriate justification for the action is captured in the employee’s personnel record.

The HRIS team is currently investigating the feasibility of automating the PA request process. The team is coordinating with Unity Business Systems, the vendor that handles Laserfiche (the City’s content management system), to determine if a program can be developed to accurately transfer documents attached through the automated personnel action process (such as those described above) electronically from the City’s server to Laserfiche. If feasible, departments would be able to submit most personnel actions electronically thereby eliminating the need to submit paper PA forms.

3. Timing of Personnel Actions

Finding – Timing of personnel actions, specifically those that affected pay, required additional attention due to the conflicts between pay periods and shift schedules.

As previously noted, City departments had several work cycles that ended at different dates from the end dates of the semi-monthly pay schedules. These differences created delays in promotions and pay adjustments. For example, a 28-day cycle employee may have to wait three semi-monthly pay periods before Human Resources would be able to enter a PA change request that adjusted their pay. The 28-day cycle employee would then have to wait an additional semi-monthly pay period before receiving pay at the updated rate.

This condition was a result of the City's need to ensure that PA change requests did not interfere with the current semi-monthly pay period. However, as the example suggests, some employees may have to wait as long as two months to receive salary adjustments due them.

Recommendation – The City may wish to consider developing an alternate procedure that standardizes the timing of PA processing for these employees.

As previously recommended, the City should evaluate the merits of converting to a bi-weekly payroll in arrears. Until that occurs, however, the City should consider creating a standard cutoff for PA's for employees who are on pay schedules that do not correspond to the semi-monthly pay dates. Creating such a cutoff may allow these employees to receive them benefits of any adjustments in a more timely manner.

Response – The mismatch between an employee's work period (cycle) and the established pay periods as described in the audit report is unavoidable. This issue is primarily associated with public safety employees. The work periods for public safety employees are based on the Fair Labor Standards Act which establishes overtime thresholds based on work periods. Supervisors do have the capability to specify a range of dates in Kronos corresponding to the public safety work periods to aide in their review of employee timecards. Human Resources will work with the public safety departments to ensure they understand the functionality within Kronos that is available to them.

We are unaware of any specific scenarios under which an employee would wait two months to receive a salary adjustment. Each year the Payroll Division develops a schedule of PA deadlines for both the weekly and semi-monthly payroll processes. The schedule provides cutoff dates and times for PA's to be processed for each pay period. If the PA's are received in Human Resources by the specified dates and times, they will be processed for the applicable pay period and any pay changes are reflected in the employee's pay check for that same period. We will work with the public safety departments to better understand their concern and educate them on the payroll process.

4. MUNIS and PeopleSoft Interface

Finding – MUNIS did not directly communicate with the City’s PeopleSoft Financial system.

The MUNIS program imported timekeeping data from Kronos and performed payroll calculations, and the results were recorded in a MUNIS General Ledger account. The MUNIS General Ledger account was then transmitted to PeopleSoft to synchronize. According to paragraph 8.3 of the contract between the City and the vendor, the vendor agreed to “provide a program to map financial account segments between Chesapeake’s PeopleSoft financial systems and MUNIS”. The contract did not expressly require the creation of an interface between the two systems, although the vendor did offer to provide such an interface for an additional cost.

We noted that updates to MUNIS have created differences in field length and other areas that have caused inaccurate transmissions to PeopleSoft. These inaccuracies require manual attention and adjustment. In addition, updates to PeopleSoft have created differences in field length and other areas that have resulted in inaccurate placement of data transferred from the MUNIS General Ledger. These inaccuracies require additional manual attention and adjustment.

This situation occurred due to MUNIS’ inability to directly interface with PeopleSoft. During the solicitation process, the vendor indicated that MUNIS could communicate with the City’s PeopleSoft financial system, although the specifications were not explicitly detailed under the scope of work section of the contract. To compensate, the City initiated a “workaround” that created an independent general ledger account within MUNIS as a staging process before that data was transmitted to PeopleSoft. Furthermore, additional development work and cost would have been incurred to create the interface, and the City had justifiable concerns regarding whether the vendor would be able to complete the work in a satisfactory and timely manner. However, if this situation is not addressed, the risk of data transfer errors will likely continue, and the need for manual adjustments is likely to continue as well.

Recommendation – The City should continue to evaluate whether the vendor can satisfactorily address the issue.

The City should continue to evaluate the vendor’s ability to provide the necessary interface between the PeopleSoft and MUNIS systems. In the interim, the City should continue to monitor data transfers between the systems and should take steps to ensure it details the specifics for communication with the City’s financial system in future contracts.

Response – There are currently two interfaces between the MUNIS and PeopleSoft systems. One interface passes “combo codes” (GL strings) from PeopleSoft to MUNIS so that the chart of accounts for MUNIS can be in-sync with PeopleSoft. The second interface exports the journal entries from MUNIS to PeopleSoft after

each payroll so that those journals can be recorded in PeopleSoft. These interfaces are used on a weekly basis.

The primary issue with the MUNIS/PeopleSoft interface is that the City of Chesapeake is unable to use project accounts or capital project information in MUNIS and pass this information back to PeopleSoft so that payroll information can be tracked at the project level. We will work with the Department of Information Technology (IT) as well as the vendor to address this issue.

5. Training

Finding - Several departments indicated that they might benefit from additional system training

The Statement of Work for the project included the following objective: “To create (a) set of standard documentation for training and manuals in a centralized system for the staff to learn City of Chesapeake business process to perform their jobs”.

We noted that the City held initial training sessions as well as at least six additional training sessions between December 2011 and March 2013 to provide training to employees on the new Kronos/MUNIS system. Despite these efforts, during our interview and survey review process, we noted a number of issues related to training on the new system:

- Timekeeping - Orientation classes for new employees did not contain timekeeping training. Training for new employees covering “how to” actions such as requesting time off or punching in/out was conducted by departmental payroll technicians.
- System Updates - Departmental payroll technicians did not receive timely training concerning updates to Kronos or MUNIS prior to implementation.
- Lunch hour leave - Some non-exempt employees were punching in and out for lunch each day while others did not. (Auditor’s Note: to eliminate potential confusion, the City had decided not to require punching in and out for lunch hours).
- Flex schedules – Whenever employees in one department who worked ten hour days on a flex schedule took leave, this system erroneously gave them credit for whatever leave was taken (i.e. two hours) in addition to their full workday, resulting in the employee being credited for the full amount of time (twelve hours). An adjustment had to be made to the system to correct it.
- Leave request default – The system was set up to charge an employee a full day of leave even if the employee was only requesting several hours leave. This situation sometimes led to confusion as to how to properly adjust it.
- Weekend leave charges – In some instances, leave submission requests that crossed over a weekend period incorrectly charged affected employees leave time for Saturday and Sunday, even if they were normally schedule to be off on those two days. Two separate leave requests (one for each week) had to be submitted to address the issue.

This condition existed because, despite the City's efforts to provide ongoing training, it was still difficult for staff to maintain all of the required knowledge. This situation was exacerbated by a decentralized payroll technician network that often attempted to resolve issues and respond to department employees' requests locally before asking for assistance from the Kronos / MUNIS team.

If employees do not maintain sufficient knowledge to work with the system, data errors and other errors will result. These errors may adversely impact the functioning and accuracy of the system.

Recommendation - The City should explore methods of increasing the frequency of HRIS system-related training

The City should analyze the causes of training-related concerns such as the ones identified above and take steps to ensure that these items are addressed periodically, either through updating emails, periodic training, or a combination of the two. The City should also review data submission errors so that the training can be adapted and targeted as the Kronos/MUNIS system undergoes future changes.

Response – We currently offer training to all departmental payroll clerks on a quarterly basis. These training sessions focus on a variety of payroll and HR issues and include HRIS-related topics such as how to process sick leave repayments in Kronos and how to enter performance evaluation scores and address changes in MUNIS. In January 2014, Human Resources began offering monthly Kronos training sessions and providing hands on computer assistance to all supervisors. Monthly training sessions will be offered for approximately 6 months to meet current demand, and then a regular schedule of quarterly Kronos training will be established. We will continue to monitor the demand for training and work to address the needs identified.

6. Time Clocks

Finding – Not all time clocks were strategically placed and/or identified for field workers.

FLSA requires non-exempt employees to record their hours worked on a daily basis. To meet this requirement, the City had acquired 86 Kronos time clocks and placed them at various locations throughout the City.

We observed that time clocks were not always placed in locations that allowed employees to punch in quickly when entering their place of work. For example, a General District/Circuit Court building time clock was located at the end of the hallway on the second floor instead of near the building entrance. In the Juvenile and Domestic Relations Court, not all employees who worked building knew where the nearest time clock was located.

Additionally, we noted there were several employee groups that were required to begin work prior to arriving at their normal work place such as Family Service Specialists, Special Weapons and Tactics Police Officers, and Detectives. However, there were no procedures providing guidance to these employees on punching in or out while in the field. Supervisors of these groups frequently were required to make adjustments on timecards to account for missed punches.

This situation occurred because there were several instances where time clocks were either poorly located or employees had not been adequately advised of their location. Also, some field employees lacked instruction on where to punch in when working away from their primary locations. Continued issues with recording work time for these employees could result in additional time adjustments by these employees' supervisors.

Recommendation – The City should take steps to make time clocks more accessible where necessary. Additionally, the City should provide a mechanism for punching in and out for identified groups of employees. This mechanism should have GPS information for management review to ensure the integrity of the timekeeping.

The City should take steps to ensure that the time clocks are located in the most convenient area possible that don't adversely impact customer service and ensure that employees who need to know are advised of the locations. Additionally, the City should also provide guidance to field employees on how, when, and where to record work time when they are required to be away from their primary work locations. Additionally, the City may wish to use GPS information to verify the integrity of this timekeeping.

Response – During the installation of the Kronos time clocks, meetings were held with all City departments. Department representatives ultimately made the decision of where the clocks were located throughout the City. The time clocks are available for all employees to access when they are working away from their primary work locations. A map showing the Kronos clock locations was distributed to all Departments during the initial implementation. If a time clock is not located in a satisfactory area, a department may submit an IT helpdesk ticket to move the time clock to a more convenient area. The IT department is able to relocate a time clock as long as electrical power and network access is within range of the desired new location.

All time clocks and computers used to log into Kronos have unique identifiers that allows management to verify where an employee has clocked in and out.

APPENDIX A

RESPONSE FROM

HUMAN RESOURCES, INFORMATION TECHNOLOGY and FINANCE

OFFICIALS

MEMORANDUM

TO: Jay Poole, City Auditor

FROM: DL Mears, Director of Human Resources
Nancy Tracy, Director of Finance
Peter Wallace, Chief Information Officer

blm


DATE: May 9, 2014

SUBJECT: Internal Audit Responses

After reviewing a draft of the internal performance audit conducted by the Audit Department on the MUNIS Human Resources (HR)/Payroll system and the KRONOS timekeeping system for the period July 1, 2012 to June 30, 2013, the Human Resources Information Systems (HRIS) team has collaborated to provide appropriate responses. While the audit showed that the MUNIS/Kronos implementation had gone as planned and the system functioned as designed, a few issues were identified. Audit provided their findings and subsequent recommendations for each finding, and this memorandum will address both.

1. Payroll Schedule

Audit Finding – The city utilized a significant number of “workarounds” to process payrolls. At least some of these workarounds were the result of the City’s decision to continue semi-monthly payrolls paid in the current pay period (current) rather than transition to bi-weekly payrolls with payment in arrears. Additionally, reconciliation of semi-monthly pay against municipal work cycles was labor intensive and required excessive attention from supervisors and managers to accurately manage time records.

Audit Recommendation – To reduce workarounds, errors, and adjustments, the City should evaluate whether the time is appropriate to consider 1) moving to arrears, and 2) implementing a bi-weekly payroll schedule.

HRIS Team Response –

Currently, the City prepares 76 payrolls per year. Of those 76 payrolls, 52 (weekly) are paid in arrears (Monday through Sunday paid the following Friday). The remaining 24 (semi-monthly) payrolls are paid currently with the hours earned on and through the 15th and the 30th (31st) of the month. Paying employees simultaneously with hours earned results in some employees receiving paychecks which contain hours for which they have not yet worked.

Although using a bi-weekly payroll in arrears could eliminate workarounds the City currently performs each semi-monthly pay period, alternative work schedules that do not align exactly with the proposed

pay schedule will require further discussion across departments in the City to provide greater understanding of advantages and disadvantages. Once the budget process is complete, a committee comprised of both administrative and operational departments under the direction of the City Manager, including those with unique alternative work schedules, will create a task force to evaluate the feasibility and practicality of moving the City to a bi-weekly payroll in arrears. The City Attorney's office will be asked to provide guidance on alternative work schedules as they relate to the Fair Labor Standards Act (FLSA) that govern work schedules and overtime calculations for Public Safety and those that operate 24 hours seven days a week.

2. Personnel Action Request Processing

Audit Finding – Personnel Action (PA) requests were typically processed through use of a paper form and routed by hand.

Audit Recommendation – The City should take steps to automate the process and eliminate the paper PA forms.

HRIS Team Response – *Although the MUNIS HR/Payroll system has the capability to allow automated personnel actions, there are challenges associated with the use of the functionality. Many personnel actions are accompanied by additional documentation, e.g. the Clearance Form (for terminations), the Personnel Action Addendum (for supervisor changes), the employment application (for promotions), and miscellaneous memos in support of various actions. The additional documentation must be submitted along with the personnel action to ensure the appropriate justification for the action is captured in the employee's personnel record.*

The HRIS team is currently investigating the feasibility of automating the PA request process. The team is coordinating with Unity Business Systems, the vendor that handles Laserfiche (the City's content management system), to determine if a program can be developed to accurately transfer documents attached through the automated personnel action process (such as those described above) electronically from the City's server to Laserfiche. If feasible, departments would be able to submit most personnel actions electronically thereby eliminating the need to submit paper PA forms.

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