

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.

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.

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.

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.

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.