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June 30, 2014

The Honorable Alan P. Krasnoff and  
Members of the City Council  
City of Chesapeake  
City Hall – 6<sup>th</sup> 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