



Office of the City Auditor

Date: July 17, 2006
To: Honorable Mayor and Members of City Council
Re: 06-128 – Colorado Springs 2005 Payroll Monitoring

AUTHORIZATION AND BACKGROUND

City Code 1.2.706 states: “the City Auditor shall examine and inspect all books, records, files, papers, documents and information stored on computer records or in other files or records relating to all financial affairs of every office, department, group, enterprise, political subdivision and organization which receives funds from the City or under the direct or indirect control of the City Council.”

Considering the magnitude of this requirement, the City Auditor has established a practice of methodically auditing all major systems every five years. The purpose of these system audits is to evaluate the internal controls that are used to ensure the reliability of financial information. The five major systems audited on this rotating basis are:

- Accounts Receivable/Billing,
- Accounts Payable,
- Payroll,
- Investments, and
- Purchasing.

The City Auditor’s Office has begun a program designed to verify the reliability of the City’s databases on an ongoing basis. We call this our Continuous Monitoring Program. To accomplish this goal, we use a computer aided audit tool sometimes referred to as “Audit Command Language” or ACL. This tool allows the Auditor’s Office to access various databases and compare information maintained in those databases. Since this is only an access tool, there is no threat the City Auditor’s Office could modify or corrupt any database. Our initial focus for these Continuous Monitoring Reviews is to provide coverage during the four year period between our full system audits.

CITY AUDITOR JEFF LITCHFIELD, CPA CIA CFE

TEL 719-385-5991 • FAX 719-385-5699 • FRAUD HOTLINE 719-385-2387
30 South Nevada Avenue, Suite 604 • P.O. Box 1575, Mail Code 640 • Colorado Springs, CO 80901-1575

The first system chosen to be monitored under this method was the Payroll system.

Reports for the Continuous Monitoring Program are less formal than those for Full System Audits and consist of this letter.

OUR REVIEW

We have completed our review of the personnel and payroll information stored in the City of Colorado Springs Peoplesoft Human Resources System for the period January 1, 2005 to December 31, 2005. The purpose of this review was to determine the integrity of payroll data and payments to employees. Utilizing automated audit tools, we were able to perform a battery of tests on the data, including but not limited to:

- Paychecks recorded in the appropriate time period,
- Paychecks coded to the appropriate bank code,
- Paychecks contained valid employee identification numbers,
- Search for duplicate check or control numbers,
- Search for inappropriate gaps in check or control numbers,
- Exempt employees with overtime pay,
- Reasonableness of job codes,
- Reasonableness of payment types,
- Compared hourly rates for job codes to salary schedules,
- Search for duplicate employee identification numbers, and
- Search for duplicate social security numbers.

Based upon our review, we noted one area of concern.

1. There were employees for which the job code documented in the Peoplesoft table was incorrect.

There were three employees who appeared to be paid a salary greater than that of their control point. We found these employees had been promoted during the year, however, the new job codes had not been entered in the appropriate table within Peoplesoft. So, while their salaries were appropriate, they were flagged as being inappropriate because of the incorrect job coding.

Auditor's Recommendation:

We recommend the implementation of procedures to ensure job codes are updated at the time a promotion occurs.

City's Response:

These three hourly temporary employees received salary increases over time and were inadvertently not placed into the corresponding job code for their pay level. Their pay was correct. The correct job codes have been added to the employees' job records.

In closing, other than the item mentioned above, our test work led us to conclude the payroll data appeared reasonable and reliable. Further, we were pleased with the overall accuracy of the more than 113,000 pay checks we reviewed and commend all involved for their diligent efforts.

Sincerely,



Jeff Litchfield
City Auditor

Cc: Lorne Kramer – City Manager
Ann Crossey – Director of Human Resources
Terri Velasquez – Director of Finance
Vicki Phillips – Accounting and Payroll Manager
Kimberly Bingman – Payroll Supervisor