



City of Colorado Springs



City Council's Office of the City Auditor

PUBLIC REPORT

Date: July 19, 2007
To: Honorable Mayor and Members of City Council
Re: 07-228 – Colorado Springs Utilities - 2006 Payroll Monitoring

AUTHORIZATION AND BACKGROUND

City Code 1.2.704 states: "The City Auditor shall perform a current post-audit of the financial operation of the City government and its enterprises, and shall devote full time and effort to post-audit examinations and reporting. The City Auditor shall submit reports to Council of periodic audits of each enterprise, department, group, unit, division or account. The Auditor shall have access to the books and accounts of all City enterprises, groups, departments, administrative officials or employees charged with the receipt, custody or safekeeping of public funds."

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 (General and Purchasing Cards).

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The City Auditor has a program to verify the reliability of the City's databases on a periodic 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 to access various databases and compare information maintained in those databases. Since this is only an access tool, there is no threat the Auditor could modify or corrupt any database.

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 Colorado Springs Utilities Lawson Financial/Human Analytic Systems (Lawson) for the period January 1, 2006 to December 31, 2006. 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 numbers,
- Search for inappropriate gaps in check 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 anomalies in employee direct deposit information.

Based on the test work performed, the payroll data appeared to be reasonable and reliable. We were pleased with the overall accuracy of the more than 78,000 paychecks we reviewed and commend all involved for their diligent efforts. In the course of our review, we noted one error.

1. One employee who appeared to be terminated was active in Lawson. We compared employees in Lawson to those with assigned security badges. This employee had her badge removed and was no longer being paid but continued to be in active status in Lawson.

Auditor's Recommendation:

We recommend Springs Utilities review and revise (if necessary) procedures for ensuring employee status are updated in Lawson upon termination.

Spring Utilities Response:

Human Resources via Corporate Communications will communicate to management the importance of creating a personnel action and completing the appropriate paperwork. In addition, the training curriculum for the *Managing Human Resources for Leaders* course will be updated to specify supervisor and management responsibilities related to employee separations. This will be completed by the end of the September 30, 2007.

In addition, the Springs' Utility Resource Center currently has plans in place to review the In/Out Employee Separation process and identify areas for consolidation with other processes such as the Information Technology Services In/Out Provisioning Process. The review will include evaluating the current process and developing a comprehensive process that will include a check and balance of internal controls. Internal Controls can be used to identify when an employee has separated employment from the organization and help ensure that all affected entities are notified of the occurrence. The following functions; Security, TSC, Human Resources Service Center, Safety, and Facilities will all be included in the process consolidation to assure that when an employee separation occurs all applicable departments are notified and proper procedures for employee removal are followed. Scheduled completion date for the review and identification of process improvements is scheduled for the September 30, 2007.

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 78,000 pay checks we reviewed and commend all involved for their diligent efforts.

Sincerely,



Jeff Litchfield
City Auditor

Cc: Jerry Forte, SU Chief Executive Officer
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