

## City of Dover

### Response to Macdonald Page & Co LLC Independent Review on Leave Time Records and Reporting

**Finding:** Account coding of transactions recorded as regular payroll rather than as leave pay.

**Response:** Concur with Finding. Prior to fiscal year 2006, the City had accounted for payments of accrued leave benefits that had been accrued prior to the current year by recording the transaction to the Severance account in the Miscellaneous General Government function whereas payments of leave benefits accrued during the current year were recorded within the expenditure accounts associated with the originating department. Incorrect coding of the pay type during data entry and this manner of accounting for payments by distinguishing between payments associated with current versus long-term accruals has contributed to instances of leave related pay being reflected as regular wages versus benefit payments. Despite incorrect account coding having occurred, it is important to note that all leave benefit related pay (and all other payments made to employees for any and all wages or benefits) was accounted for in the City's CAFR, monthly financial report and total compensation amounts shown for all employees in the compensation and demographic reports assembled and made available for inspection.

**Corrective Action To Be Taken:** Beginning in 2006, the City began accounting for all payments of accrued leave benefits whether current or long term by recording all such transactions into a single account titled Compensated Absences within the Miscellaneous General Government function. This method allows for a simplified and consistent coding during the data entry process into the payroll system. Proper pay type and the account coding requirements during data entry have been reviewed with current staff responsible for payroll data entry and additional documentation for the consistent application of pay and account code types is being established. Random supervisory checks to verify proper pay type and account coding will be conducted on a weekly basis by the newly appointed Finance Director and Human Resource Director. In addition, a follow-up detailed procedural review in conjunction with the year-end audit will be completed and reported by an independent auditing firm.

**Finding:** Limitations in current payroll software system results in an inability to provide the detail transactions for leave time earned and is unable to provide detail of the transaction source for manual adjustments made to the earned time history.

**City's Response:** Concur with Finding. The software currently utilized by the City does not provide an electronic audit trail for source documentation and manual adjustments made to leave accrual rates and balances. Adjustments are necessary when a transaction is processed either in error or when leave time is reduced and subsequently determined that the employee did not use the leave time originally approved.

**Finding:** The entry date for leave use transactions did not always match the date or week of leave time taken as per the leave request form.

**City's Response:** Concur with Finding. Primarily due to the manual data entry required to process leave accruals and payment requests, there have been delays in the date the leave deduction or addition has been keyed into the payroll system and the related payment is made as compared to the date reflected on the source document initiating the need for the transaction.

**Corrective Action To Be Taken:** A standing policy remains in effect that all leave requests are to be supported by a source document which in turn initiates the requirement for a corresponding transaction within the payroll system. This requirement has been reinforced with all staff responsible for payroll data entry and is being reviewed with all employees to ensure proper completion and timely submittal of documentation. It is expected that implementation of an electronic time card and record keeping system integrated into the payroll system as addressed above will eliminate any lag time associated with the current manual data entry and subsequent electronic processing of leave accruals and related payments.

**Finding:** Leave request forms were not consistently approved by the applicable department head. In instances where it was a department head completing the leave request form there was not a corresponding approval by an appropriate member of management, other than the person initiating the request.

**City's Response:** Concur with Finding. Prior to 2005, the nature and format of the document for an employee to request use of leave was determined by and maintained within each department based upon operational needs. Since 2005, a standing policy has been in effect requiring standard leave request forms to be initiated by the employee, reviewed by supervisor and authorized by department head. In certain instances, additional approvals for employees may also be required by the City Manager (FMLA and other special leave situations). Also since 2005, all department heads have been required individually to request and seek approval of the City Manager for use of leave. Since 2005, department head requests for use of leave have been recorded electronically and tracked by the City Manager.

**Corrective Action To Be Taken:** Since 2005, the requirement for submission of requests for use of leave by employees and approval by department heads has been reviewed and reinforced on different occasions by the City Manager with department heads. Likewise, the requirement for all department heads to notify and seek approval by the City Manager for use of leave has been reinforced. Request for and use of leave specifically by department heads has already been and will continue to be monitored electronically by the City Manager. It is expected that implementation of an electronic time card and record keeping system integrated into the payroll system as addressed above will aid in eliminating duplication of the current manual data entry and extend the recordkeeping retention timeframe associated with both

**Corrective Action To Be Taken:** Procedures are being established to require an annual verification and certification by the payroll and benefits administrator and individual employee of the accuracy of reported leave balances during each annual benefit open enrollment period. Additionally, as with other items above, random checks of the accounting for individual leave time accruals and related payments will be conducted on a weekly basis by the newly appointed Finance Director and Human Resource Director. A review of this item will be completed in conjunction with the year-end audit.