





City of Cape Coral City Auditor's Office

TO: Mayor and Council Members
THRU: Margaret Krym, Interim City Auditor 
FROM: Kathy Magaw, Assistant City Auditor 
DATE: July 26, 2011
SUBJECT: Compensation Audit – Completion of Follow up Action Items

The Compensation Audit report was issued at the beginning of the Fiscal Year on October 29, 2010. There were seven recommendations that resulted from this audit that Management agreed to implement. As of this memo, we have verified that implementation of each of these seven action items has been completed.

Attached is a grid that defines the underlying finding, the recommendation and Management's agreed upon follow up action response.

We would like to thank the staff in the Human Resources Department and the Payroll Division of the Financial Services Department for their efforts to complete these actions and eliminate or mitigate the risks associated with them.

We are available to respond to any questions or concerns at 242-3382 about the information contained in this document.

Attachments

C: Gary R. King, City Manager
Dolores Menendez, City Attorney
Rebecca van Deutekom, City Clerk
Victoria Bateman, Financial Services Director
Scott Slusser, Interim Human Resources Manager
Angela Cline, Compensation Manager
Deana Watson, Payroll Supervisor
Audit Committee

City of Cape Coral
City Auditor's Office
Compensation Audit – Completion of Follow Up Action Items
July 25, 2011

	Finding	Recommendation	Management Response	Status verified by City Auditor	Date Closed by City Auditor
1	<p>We found that the internal control designed to ensure the integrity of the Kronos HRIS database is tedious and labor intensive. We also found that it has no process owner to ensure that it is functioning as intended.</p>	<p>We recommend that Management assess the risk associated with the lack of system designed access controls in the Kronos HRIS database software and that the departments with access to this system meet and agree on a control process that will ensure the integrity of the database.</p> <p>We also recommend that Management assign responsibility for the agreed upon control process to one Department. This one Department would then design and monitor the control process across all Departments.</p>	<p><i>HR will complete a general audit policy and written procedure (including change requests) that outline how audits are sent, tracked and stored to gain consensus and agreement with the Payroll Division. The Payroll Division will be the process owner.</i></p> <p><i>HR will continue to email the Audit Report daily and file the responses received from the Financial Service Department.</i></p> <p><i>Human Resources will ensure (and track via written procedure) that they receive positive confirmation that reports have been validated by the Financial Services Department (the process owner), including all change requests.</i></p>	Completed	January 31, 2011

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2	<p>We found that, on some occasions, the Payroll Division of the Financial Services Department did not have documentation readily available to evidence authorization for entering a change into Kronos.</p>	<p>We recommend that the Financial Services Department require all requests for changes be delivered to them in writing and that they maintain this documentation to support the request. If Financial Services is the source of a posting then we recommend that they in some way evidence that the change has been appropriately authorized and is in compliance with City policy.</p>	<p><i>Financial Services maintains the documentation for requests for changes; however for the three instances cited the documentation was retained in email files which are not accessible except by the individual whose e-mail account it is. Therefore if that person is not available, the documentation is not available.</i></p> <p><i>The Payroll Division within Financial Services immediately started a new process whereby going forward all documentation will be printed and retained in the payroll files for each pay period.</i></p> <p><i>The Payroll Division will establish a formal procedure to reflect this process.</i></p>	<p>Completed</p>	<p>February 25, 2011</p>

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3	<p>We found that there was not sufficient control in place to ensure that the long-term budget impact of compensation changes was considered prior to implementing a salary increase.</p>	<p>We recommend that Management assign a process owner to create and implement an internal control, which will ensure that the long term cost effects of compensation changes are considered prior to implementation. This control might include a comparison of the effects of a full 12-month period for the current situation compared to the impact of a full 12 months of the proposed situation. Also, the analysis might forecast at least through the end of the next upcoming fiscal year budget cycle and should identify the annual incremental cost for the next year.</p>	<p><i>HR will add a statement to the status change notice indicating the Department Head is acknowledging that the financial implications of the request have been assessed and that they have sufficient budgetary dollars to fund the request for 12 months if applicable.</i></p>	Completed	December 21, 2010
4	<p>We found that it is up to the Department Directors to determine the starting compensation amount for a new contract worker and where that workers compensation will fall within the position range. Currently there is not a City policy that governs compensation for contract workers.</p>	<p>We recommend that Management document a policy to communicate their intent regarding compensation practices for Contract Workers. Implementation of this policy will then serve as an internal control and will allow Human Resources to verify compliance prior to implementing a compensation change for a Contract Worker.</p>	<p><i>HR will add policy language regarding the starting compensation for contract employees into AR #29.</i></p>	Completed	February 7, 2011

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	Finding	Recommendation	<i>Management Response</i>	Status verified by City Auditor	Date Closed by City Auditor
5	We found that authorization of a change made to the database had not complied with the "Status Change Form – Levels of Approval" posted guidance. The change was supported however by a contract provision.	We recommend that the "Status Change Form - Levels of Approval" be reviewed and clarified to reflect Management's intended directive. If it is Management's intent that contractual obligation may replace a second level of approval, then this should be clearly stated.	<i>HR will reinforce the policy that two signatures are required on all status change notices impacting classification.</i>	Completed	February 1, 2011
6	There does not appear to be a formal plan in place for the regular review and market place benchmarking of the City's compensation structure. Article Thirteen of the Personnel Ordinance requires that competing wages and salaries in the public and private sectors <i>shall</i> be considered for the General Salary Schedule.	We recommend that the Human Resources Department develop and implement a formal plan to regularly review the City's compensation and determine the City's pay position relative to the market place. This plan should include measurements and data that will alert Management to potential future risks related to compensation and provide them with the ability to manage those risks.	<i>Human Resources will develop an on-going plan for periodic review of the City's compensation structure.</i>	Completed	July 14, 2011
7	Administrative Regulation #33 Job Evaluation System is currently outdated and does not reflect the policies and procedures employed by the City.	We recommend that AR#33 be updated to reflect Management intent regarding Classification and Reclassification of positions and that subsequently the actual practices employed by the H.R. staff be aligned to this new Administrative Regulation.	<i>HR will update the policy to reflect the current practice.</i>	Completed	July 18, 2011