Contracted Payroll Audit Phase II

CO26-01

This Audit Report has been approved for release and has been transmitted to the individuals listed below.

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__ORIGINAL SIGNED__

Robert Snyder

Chief Internal Auditor

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Jim Parajon	**City Manager**
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Vanetta Pledger	**Acting Deputy City Manager**
Kevin Greenlief	**Director of Finance**
Alyssa Williamson	**Chief Human Resources Officer**
Ryon Saenz	**Acting Chief Information Officer**

Background: In FY25 the Office of Internal Audit (OIA) utilized our contingency audit contractor, CBIZ Risk and Advisory Services, to conduct an audit of payroll operations which issued a Phase I report on December 5, 2024. After Phase I we identified additional concerns regarding the City's payroll entry methods and special pay. Phase II of the payroll audit was developed to provide an assessment of these areas. CBIZ conducted the audit and issued recommendations which have been reviewed by OIA and issued to departments.

Objective and Scope: The audit was conducted to address two primary objectives. The first was to assess the way time was being recorded as it relates to labor effort. The second was to understand the circumstances that trigger special pay and the controls that exist around those pay types. OIA coordinated with ITS to provide pay records for FY2025 with exclusive emphasis on the October 15 – October 25, 2024, pay records. The methodology was to review existing payroll policies, interview key staff, and then conduct a review of the payroll data provided by ITS and Finance Payroll. **This report synthesizes the CBIZ report along with OIA observations from this engagement as well as other engagements we have performed.**

Findings and Conclusions: Based on the audit CBIZ concluded that the Finance and Human Resources departments should make several changes to policies, training, and systems regarding payroll. One approach recommended was to develop a comprehensive strategy for payroll entry methods based on risk.

Recommendations: The Office of Internal Audit reviewed the recommendations from CBIZ and issued several recommendations to the Finance and Human Resources departments. The recommendations are summarized below:

- Develop a strategy to address payroll entry using various methods (timeclock, timestamp, timekeeper, automated punch)
- Establish criteria and roles and responsibilities for timekeepers
- Conduct comprehensive payroll training to address duties of supervisors and timekeepers to include remote work and the use of timeclocks, and pay adjustments
- Enforce requirements to obtain documented prior approval for leave and other special pay codes
- Identify systems which can support the approval process and audit trail for prior approval of leave and special pay codes
- Identify data collection systems which can facilitate verification of payroll adjustments

Departmental Response: The departments acknowledged the results of the audit. OIA will coordinate and follow up on the recommendations in the following months.

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Contracted Payroll Audit Phase II

Background

In FY25 the Office of Internal Audit (OIA) utilized our contingency audit contractor, CBIZ Risk and Advisory Services, to conduct an audit of payroll operations which issued a Phase I report on December 5, 2024. After Phase I we identified additional concerns regarding the City's payroll entry methods and special pay. Phase II of the payroll audit was developed to provide an assessment of these areas.

Objective, Scope and Methodology

The audit was conducted to address two primary objectives. The first was to assess the way time was being recorded as it relates to labor effort. The second was to understand the circumstances that trigger special pay and the controls that exist around those pay types. OIA coordinated with ITS to provide pay records for FY2025 with exclusive emphasis on the October 15 – October 25, 2024, pay records. The methodology was to review existing payroll policies, interview key staff, and then conduct a review of the payroll data provided by ITS and Finance Payroll. **This report synthesizes the CBIZ report along with OIA observations from this engagement as well as other engagements we have performed.**

Findings, Conclusions, and Recommendations

The engagement indicated that there are several improvements which can be made which will improve City payroll operations. Based on the audit we conclude that the Finance and HR departments should make several changes to policies, procedures, and staff training. Recommendations are included below each section of this report.

I.   Payroll Entry Methods

The City utilizes a variety of methods to record employee time with some of these methods being adopted based on department preference. These payroll entry methods have been put in place to address various business needs by different departments with the assistance of Finance over many years. Some of these methods provide more or less control than others and a full understanding of the internal control and effectiveness of each system should be developed by all fiscal officers, supervisors, and department heads. **Table #1 shows an analysis of how City employees are paid.**

Table #1 Payroll Entry Methods Used Oct 15 – 25, 2024 Pay Period			
Payroll Entry Method	**Total Personnel**	**Percentage of Personnel**	**Total FY24 Expenditures***
Timeclock	183	7.10%	$ 10,555,792
Timestamp	93	3.61%	$ 7,689,392
Timekeeper	1,243	48.25%	$ 120,761,829
▮▮▮▮Automated Punch (Default Time Entry Method)	303	11.76%	$ 21,259,889
Combination of Multiple Methods		29.28%	
* Column "Total FY24 Expenditures Approximated from Percentages Based on October 15-25 Pay Period			

Timeclocks

The interviews and analysis conducted by CBIZ indicated the following:

Table #2 Timeclock Observations	Impacted Employees: 183
Benefits	**Challenges**
Timeclocks provide an easy and effective way of recording time	The timeclocks are not always operable and then require the completion of time (filling in the gap when the clocks are not operating) by the timekeeper. There were clocks in the Recreation department that had not worked for several months.
Timeclocks are secure given that the password is the employee's fingerprint.	Timeclocks do not function when the internet or power is disrupted.
	Timeclocks do not always read fingerprints. For example, fingerprints are affected by the chlorine for those people who work at the city pools and are not consistently read.
	Clocks are outdated and don't consistently function properly
	Administrators find it difficult to add new users.
	Employees don't always remember to punch in or out of the timeclock.
Recommendations • **DHR and Finance should develop a strategy to address payroll entry using various methods** • **Finance should direct departments to replace or repair timeclocks** • **Finance should conduct comprehensive payroll training to address duties of supervisors and timekeepers to include remote work and the use of timeclocks, and pay adjustments** • **DHR should update disciplinary regulations to address payroll violations**	

Timestamp

The interviews and analysis conducted by CBIZ indicated the following:

Table #3 Timestamp Observations	Impacted Employees: 93
Benefits	**Challenges**
The timestamp reflects actual entry and exit time and provides a clear and concise audit trail reflecting the employee's activity.	The timestamp requires a piece of equipment (desktop) where the Icon resides allowing the person to login.
The timestamp allows for the tracking of those individuals who don't necessarily have a set schedule and sometimes work in multiple locations with various shift assignments.	Employees do not always remember to login thereby requiring manual time entry by the timekeepers. This process requires the timekeeper to search for evidence of when the employee entered/exited.
The timestamp would allow personnel with time and attendance issues to have their time verified to a high degree of accuracy with less supervisory involvement.	The timestamp does not function when the internet or ▇ is inoperable.
	Due to the reporting requirement timelines from payroll, timekeepers are required to manually enter time in advance. For this reason, most people using timestamp are also relying on timekeeper assistance toward the end of each pay cycle.
	The use of timestamp requires a network login and license which costs ▇ per person.
Recommendations • **DHR and Finance should develop a strategy to address payroll entry using various methods** • **DHR should update disciplinary regulations to address payroll violations**	

Timekeepers

The interviews and analysis conducted by CBIZ indicated the following:

Table #4 ▮▮▮▮ Time Entry/Timekeepers		Impacted Employees: 1,243
Benefits		**Challenges**
The Finance Department has an internally developed ▮▮▮ Basic User Manual that provides the reader with instructions on how to record their time. The most recent version of this manual is version 8 updated on October 15, 2020		CBIZ noted the manual does not mention special types of overtime, telework or Collective Bargaining Agreement requirements.
48% of personnel rely on a timekeeper to record all or a portion of their time. Managers are required to review departmental hours prior to submission to payroll.		There has been limited guidance given to department managers showing the various reports and tools that can be utilized to monitor labor activity.
		There is no established criterion depicting who is authorized to become a timekeeper and the requirements and responsibilities of timekeepers.
Recommendations: • DHR and Finance should develop a strategy to address payroll entry using various methods • Finance should conduct comprehensive payroll training to address duties of supervisors and timekeepers to include remote work and the use of timeclocks, and pay adjustments • Finance should establish criteria and roles and responsibilities for timekeepers		

Automated Punch

The interviews and analysis conducted by CBIZ indicated the following:

Table #5 Automated Punch	Impacted Employees: 303
Benefits	**Challenges**
▮▮▮ allows default hours to be established to reflect an employee's basic schedule.	For the period CBIZ reviewed, October 15 – October 25, 2024, there were 11.76% of personnel who reported their time via a ▮▮▮ timesheet but never change the automated profile hours initially established in their profile.
	This translates to 303 employees reporting their time in this manner. It approximates $21 million in labor earnings across 23 departments. These types of personnel report 8 a.m. – 5 p.m. each workday, 40 hours per week, without variation and are approved by employee supervisors. This may or may not be accurate and may result in upward or downward errors. It presents a risk for those departments who receive grant funding.
Recommendations: • DHR and Finance should develop a strategy to address payroll entry using various methods	

IT Verification of Remote Work
The interviews and analysis conducted by CBIZ indicated the following:

Table #6 Information Technology	
Benefits	**Challenges**
IT systems which would allow simple comparisons of staff members engaged in remote work to network activity would be beneficial, especially if the ▇▇▇▇ Automated Punch process remains in use.	CBIZ attempted to verify the activity of the individuals mentioned above by working with the Information Technology (IT) group to compare network activities with the automated 40-hour work week. They anticipated that the hours listed on the timesheet for these individuals would match the login activity onto the City's network. However, they were unable to verify the labor hours using IT assistance because the information being captured by IT was not specific to the day-to-day activity being performed by the individual. They saw examples of the information received from IT including all overnight automated emails generated and other miscellaneous activity that did not indicate the employee being engaged in their day-to-day work activities.
Recommendation: • **Finance should conduct comprehensive payroll training to address duties of supervisors and timekeepers to include remote work and the use of timeclocks, and pay adjustments**	

II.   Special Pay Codes
City pay regulations allow for certain special pay codes which are listed below:

Table #7 Special Pay Types*		
Category	**Hours**	**Dollars**
Stand By Pay	38,719	$ 1,695,110
Call Back Pay	6,396	$ 440,588
Shift Differential Pay	484,589	$ 613,222
TOTAL	**529,704**	**$ 2,748,920**
* Data from FY2024 Payroll by Pay Type report generated by ITS.		

Due to the establishment of collective bargaining agreements the requirement to ensure that all special pay codes are correctly supported has increased. A recurring element in various City payroll related administrative regulations is the requirement to obtain prior supervisor approval before authorizing an employee to proceed with work performance which would incur these special pay codes. CBIZ identified this concern and recommended that the enforcement of these requirements be a priority, as well as the need to identify and deploy systems which would allow for verification of prior supervisor's approval.

Standby Pay, Callback Pay, and Shift Differential
The interviews and analysis conducted by CBIZ indicated the following:

Table #8 Standby, Callback Pay, and Shift Differential	
Requirements	**Challenges**
Various City pay policies refer to the requirement to receive prior approval before conducting activities which incur payment of various special pay codes.	Standby, Callback, and Shift Differential were reviewed by examining the timesheet related to the type of pay, the reason for the type of pay and the authorization for the type of pay. They found a lack of consistency in how these hours were managed as every department interviewed had a different process. Most departments communicated to us that Call Back Pay or Stand By Pay is initiated via a text message, verbal request or posted listing and that these modes of communication serve as prior approval. However, none of this information was verifiable. The Sheriff and Police Department were the exceptions. The Sheriff special pay was supported by pre-approved forms called "Overtime/Compensatory Time Request". Those forms were subsequently replaced by a web-based application that tracks the request, the approval, and the reason for the special pay type. In addition, the application allows the employee the ability to request time off and shows the user and the approver the available leave balance. It also provides tables and graphs showing detailed scheduling where the user can easily distinguish certain days where scheduling problems and challenges exist. This application is specifically designed for law enforcement and has been in use by the Sheriff Department since April 2025. According to the Police Department, they require hard copy overtime slips to be prepared and approved prior to Call Back and Stand By hours being charged. The Police Department located a few overtime slips from the sample, but the volume of overtime and the use of hard copy slips precluded the department from locating most of the overtime slips from our sample.

Recommendations:

- **Finance should enforce requirements to obtain documented prior approval for leave and other special pay codes**
- **Finance should identify systems which can support the approval process and audit trail for prior approval of leave and special pay codes**
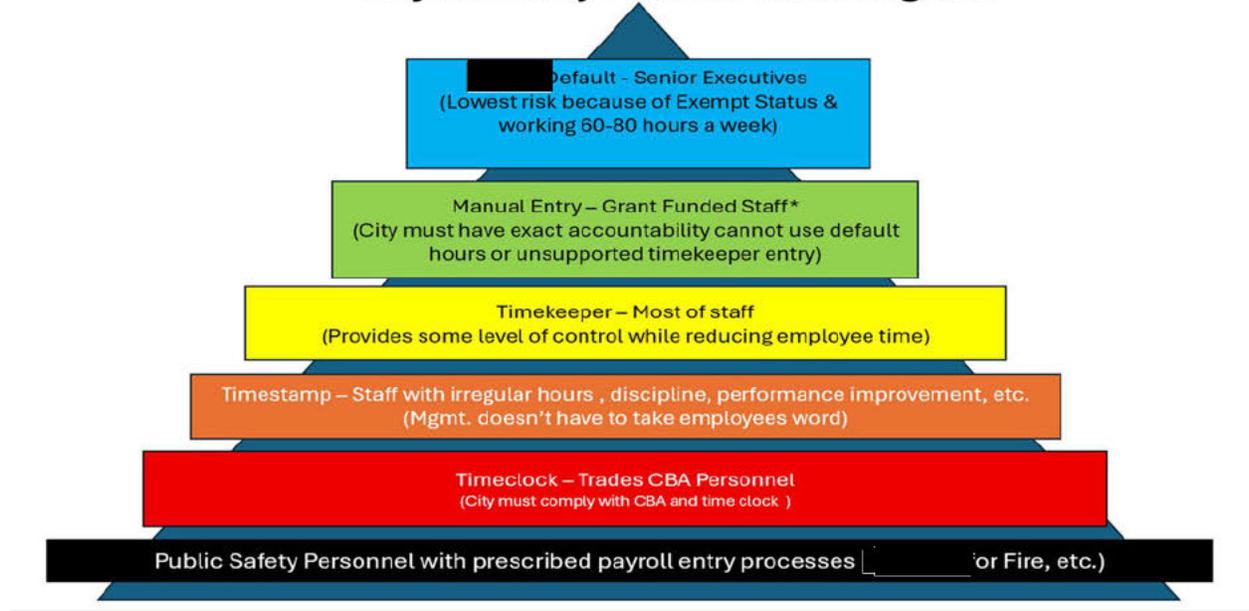
Pay Adjustments

The interviews and analysis conducted by CBIZ indicated the following:

Table #9 Pay Adjustments	
Requirements	**Challenges**
The ability to document pay adjustments is important due to the need to maintain equity with our workforce. CBAs and new Federal grant mandates increase the importance of this requirement.	The Fire Department utilizes ▮▮▮▮▮ to record their labor activity which then interfaces with ▮▮▮▮▮. During the review of Shift Differential pay at the Fire Department, it was discovered that one person had recorded their time from 9-11 and then 11-1 which triggered ▮▮▮▮▮ to classify the 11-1 work as being shift differential. This was an error in the preparation of the timesheet. Had the employee recorded his time on one row as working 9 – 1, Shift Differential would not have been triggered. The person approving the timesheet did not recognize the error which ultimately resulted in Shift Differential Pay to be overstated. Also noted during fieldwork were ▮▮▮▮▮ Administrator adjustments which added special pay types to the person's timesheet. We inquired with the ▮▮▮▮▮ Administrator how these adjustments originated and what type of audit evidence existed that supported the added hours. Typically, an email is received from the department indicating that an adjustment is needed. The administrator will then review the activity and calculate the number of hours needed. Neither the email nor the calculation is saved therefore there is no audit trail supporting these adjustments. This is due to the fact the City has not established a centralized repository related to payroll adjustments that would include a clear audit trail. This process creates a weakness because it lacks a centralized repository for payroll adjustments that could be easily retrieved in the event these adjustments are ever audited. The reliance on staff member emails creates the probability that records will not be available and therefore there will be no audit trail.

Recommendations:

- **Finance should conduct comprehensive payroll training to address duties of supervisors and timekeepers to include remote work and the use of timeclocks, and pay adjustments**
- **Finance should identify data collection systems which can facilitate verification of payroll adjustments**

Conclusion

Based on the audit CBIZ concluded that the Finance and HR departments should make several changes to policies, training, and systems regarding payroll. One approach may be to develop a comprehensive strategy for what payroll entry methods are to be employed for each group of employees. This would allow additional refinement within a general framework.

Payroll Entry Method Risk Diagram

Default - Senior Executives
(Lowest risk because of Exempt Status & working 60-80 hours a week)

Manual Entry – Grant Funded Staff*
(City must have exact accountability cannot use default hours or unsupported timekeeper entry)

Timekeeper – Most of staff
(Provides some level of control while reducing employee time)

Timestamp – Staff with irregular hours , discipline, performance improvement, etc.
(Mgmt. doesn't have to take employees word)

Timeclock – Trades CBA Personnel
(City must comply with CBA and time clock)

Public Safety Personnel with prescribed payroll entry processes   or Fire, etc.)

Recommendations
OIA recommends that the Director of Finance should take the following actions:

1. Develop a strategy to address payroll entry using various methods (timeclock, timestamp, timekeeper, automated punch) *

2. Establish criteria and roles and responsibilities for timekeepers

3. Conduct comprehensive payroll training to address duties of supervisors and timekeepers to include remote work and the use of timeclocks, and pay adjustments*

4. Enforce requirements to obtain documented prior approval for leave and other special pay codes

5. Identify systems which can support the approval process and audit trail for prior approval of leave and special pay codes**

6. Identify data collection systems which can facilitate verification of payroll adjustments**

7. Direct departments to replace or repair timeclocks

OIA recommends that the Chief Human Resources Officer take the following actions:

8. Develop a strategy to address payroll entry using various methods (timeclock, timestamp, timekeeper, automated punch) *

9. Update disciplinary regulations to address payroll violations (timeclock and timestamp)

* Recommendation requires collaboration between Finance and DHR
** Recommendation requires collaboration between Finance and ITS

Department Response
OIA received responses from the Department of Finance and Human Resources and has attached them to this report. OIA will follow up with the respective departments until the recommendations have been fully implemented.

City of Alexandria, Virginia

MEMORANDUM

DATE: 11/26/25

TO: ROBERT SNYDER, CHIEF INTERNAL AUDITOR

FROM: ALYSSA WILLIAMSON, CHIEF HR OFFICER

SUBJECT: AUDIT RESPONSE TO CONTRACTED PAYROLL AUDIT PHASE II

This memo has been prepared to update our department/office's response to the Office of Internal Audit (OIA)'s recommendations.

Develop a strategy to address payroll entry using various methods (timeclock, timestamp, timekeeper, automated punch) *
Human Resources will collaborate with Finance as needed including assigning personnel to any Finance-led interdepartmental working groups and reviewing resulting frameworks, guidance, or process documents. Human Resources will incorporate resulting Finance guidance in relevant training resources.
Update disciplinary regulations to address payroll violations (timeclock and timestamp)
DHR will propose revisions to AR 6-20 including payroll violations (inclusive of timeclock and timestamp) to the City Manager's Office by September of 2026. Contingent upon CMO approval, DHR will engage with unions in an effort to implement recommendations.
* Recommendation requires collaboration between Finance and DHR

Please contact Alyssa Williamson, CHRO

MEMORANDUM

DATE: February 26, 2026

TO: ROBERT SNYDER, CHIEF INTERNAL AUDITOR

FROM: KEVIN C. GREENLIEF, DIRECTOR OF FINANCE

SUBJECT: AUDIT RESPONSE TO CONTRACTED PAYROLL AUDIT PHASE II

This memo is the Department of Finance's response to the Office of Internal Audit (OIA)'s recommendations on Phase II of the Payroll Audit.

While our response is set out below, one conflict needs to be noted which could delay any system-related solutions. System-related solutions would also likely have a budgetary impact which would be identified as part of any future recommendation.

The City is currently in the middle of an intensive upgrade to the ▇▇▇▇ timekeeping system as the vendor is migrating to the cloud and will no longer maintain the onsite version of ▇▇▇▇ This makes the upgrade an imperative and is placing a significant strain on ITS resources along with the Finance payroll staff.

For example, the Sheriff's Office currently uses overtime/scheduling software referenced in the audit. They have asked to have this integrated into ▇▇▇▇ and the Police have likewise asked to purchase the software (▇▇▇▇▇▇▇▇). While it appears these system enhancements do offer opportunities in harmony with the audit recommendations, ITS has informed the agencies that the 12 – 13 month migration to the cloud impedes their ability to pursue integration until the upgrade project is concluded (see attached documentation in this regard). We believe that similar system innovations that might be necessary to fully implement audit recommendations may also be constrained until the cloud upgrade is concluded (anticipated sometime this coming summer).

Aside from this caveat, Finance will coordinate with HR to pursue non-IT strategies on a much faster timeline.

1. Develop a strategy to address payroll entry using various methods (timeclock, timestamp, timekeeper, automated punch) *
Finance will work to review our current structure for how the payroll entry methods are allocated. Based on this review Finance will then propose recommendations for how the roles should be allocated and maintained.

2. Establish criteria and roles and responsibilities for timekeepers
Finance believes that we need to start with defining each role. We believe the role identified as timekeeper includes many "users" who have the ability to go into the system and update their individual time entry. A user should have different responsibilities than a true departmental timekeeper. Finance will work to develop a policy statement that identifies roles for employees involved in departmental payroll duties, explaining what each person is to do in each role and confirming supervisory responsibilities. Finance will strive to issue a draft policy within 90 days. The intent will be to finalize this as a formal A.R.
3. Conduct comprehensive payroll training to address duties of supervisors and timekeepers to include remote work and the use of timeclocks, and pay adjustments*
The finance team will continue work on establishing training and education materials for the users and supervisors. Finance has just hired an Assistant Timekeeping and Attendance Manager. This additional resource will help build the team's capacity to bring additional training to the City. Finance will work with HR to develop this training in ███████ in order to maintain accountability and ensure training is mandatory. Delivery is expected in the Fall of 2026, upon completion of the ██████ migration to the cloud (i.e., ██████ screens and processes may change as part of the migration. Training will need to wait on the final system upgrade).
4. Enforce requirements to obtain documented prior approval for leave and other special pay codes
The City needs to establish a process for leave approvals and specialty pay, when appropriate to be approved in advance. Things like callback pay cannot be approved in advance but could have documentation provided when utilized. Currently the City does not have a system to track or maintain these approvals. Some departments are using paper and we think it would be beneficial to implement an electronic system. We will need to identify a system or create our own and it is possible we could tap into an existing vendor such as ██████████ This would be a culture change for the City and would require buy-in from City management and department heads. Implementation of this will need to be deferred until completion of the ██████ migration to the cloud. The Sheriff is using third-party scheduling software that they would like to have integrated with ██████ The Police are likewise interested in this software. ITS has already established that any expansion in scheduling software will need to wait until the ██████ cloud migration is completed. It is also possible that the new version of ██████ may offer additional new opportunities for scheduling. Both Phase 1 and Phase II of the Payroll Audit have been provided to ██████ and ITS so these issues can be considered as part of the migration process.
5. Identify systems which can support the approval process and audit trail for prior approval of leave and special pay codes**
The system mentioned in the answer to question number 4, above, would likely be able assist in establishing an approval process and creating the needed audit trail.

6. Identify data collection systems which can facilitate verification of payroll adjustments**
Currently requests for payroll adjustments or retroactive adjustments are emailed. Finance has started storing these requests on the network in a shared folder organized by pay period. Finance is open to seeking out a better way to manage these requests. We acknowledge that we may need some assistance in seeking out best practices and/or recommended solutions.
7. Direct departments to replace or repair timeclocks
Many of the City timeclocks are outdated and are approaching end of life. We recently began the process of updating our timeclock inventory. One new time clock was recently installed. The Finance team has contacted departments who utilize timeclocks to get an accurate list of serial numbers and model numbers. The cost of timeclocks is not insignificant. Once we have an updated list we will work with ███ the departments, ITS and OMB to develop a plan for clock replacements/upgrades.

* Recommendation requires collaboration between Finance and DHR
** Recommendation requires collaboration between Finance and ITS

Please contact ████████████ and ██████████ for additional information or follow-up.

cc: Alyssa Williamson, Chief Human Resources Officer
      Vanetta Pledger, Chief Information Officer
      Morgan Routt, Director, Office of Management and Budget
      ██████████ Retirement Administrator, Department of Finance
      ██████████ Time & Attendance Manager, Department of Finance