

Employee Benefits Review

2023-02E – external audit

May 7, 2025

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Purpose of the Audit

The City engaged the vendor BerryDunn to perform an independent performance audit of its payroll processes from **October 2022 to June 2023** to help ensure compliance with laws and regulations and to report on the adequacy of the Payroll Division's processes.



Independent ✓

Objective ✓

Purpose of the Review

During that audit, concerns were raised that some vulnerabilities might exist around the administration of employee benefits.

- acknowledged concerns
- initiated a detailed analysis to assess the benefits management process'
 - compliance and the
 - efficiencies and effectiveness of the benefits management process

Testing Methodology

- Auditors conduct a systematic, disciplined review:
 - Based on the audit objectives
 - Sufficient, appropriate evidence
 - Reasonable basis for observations

Tested Items

1. RPSAE-S Article 21(r)
2. Quasi-Governmental Agency Employee Benefits
3. Employee Benefits Elections
4. FMLA (Family and Medical Leave Act)
5. Retiree Premium Deductions
6. Retiree Payoffs
7. Deferred Compensation

Results → Ten Reported Observations

Four Categories for the **ten** observations

1. Develop written policies and procedures for administering and recording employee benefits.
2. Employ a standardized procedure to update and record deferred compensation
3. Establish a standardized process for recording benefit elections from quasi-governmental employees
4. Increase communication between HR and Central Payroll to help ensure the accuracy of records and cash-outs

Observation #1 Recommendations

Develop written policies and procedures for administering and recording employee benefits

- 1.a) Develop policies and procedures for all aspects of employee benefits administration.
- 1.b) Update physical change request forms to include a historical record of employee benefits elections.
- 1.c) Develop a formal process for conducting retirement benefit meetings.
- 1.d) Establish a process to document any changes to an employee's FMLA leave, such as an extension of the leave period or beginning earlier than expected.

Observation #2 Recommendations

Employ a standardized procedure to update and record deferred compensation

2.a) Employ a standardized procedure to update and record deferred compensation selections.

2.b) Whenever a change is made a copy of the updated deduction report should be placed in the employee's file to maintain a historical record. We also recommend that the City improve confirmation procedures for manual changes.

Observation #3 Recommendations

Establish a standardized process for recording benefit elections from quasi-governmental employees

3.a) Establish formal documentation process for employee benefit elections from quasi-governmental entities.

3.b) Establish a standardized procedure for communicating changes in benefits will help ensure that all modifications are properly documented and tracked. Regular audits of benefit enrollments and payments should be conducted.

Observation #4 Recommendations

Increase communication between HR and Central Payroll to help ensure the accuracy of records and cash-outs

4.a) Establish a more coordinated approach between the HR and Central Payroll related to retiree payoffs.

4.b) Conduct regular audits of the payoff calculations against the final figures provided by Central Payroll. This will help ensure the payments made to retirees are accurate and well-supported by documentation.

Management Responses – Human Resources Dept.

Recommendation	Achieved	Pending
Develop written policies and procedures for administering and recording employee benefits	1.B 1.D ✓	1.A 1.C ✗
Employ a standardized procedure to update and record deferred compensation	2.A 2.B ✓	
Establish a standardized process for recording benefit elections from quasi-governmental employees	3.B ✓	3.A ✗
Increase communication between HR and Central Payroll to help ensure the accuracy of records and cash-outs	4.A 4.B ✓	

Audit Oversight – Follow-up Process



- Internal Audit Division will follow-up on the management action plans systematically until the actions have been implemented or management accepts the risk of inaction
- Follow-up reporting will be presented to the Council in six months

1.A

1.C

3.A



Impact

Salary and benefits account for **81%** of the expenses in the General Fund.

Internal Audit Division @ City



- To provide the City of Reno with an independent appraisal function designed to assist the Reno City Council, constituents, and City management in establishing **accountability**, **transparency**, and a culture of **continuous improvement** in City operations.
- At its core, Internal Audit helps the organization achieve its objectives.

Recommended Motion

I move to accept the external audit report,
Employee Benefits Review.

