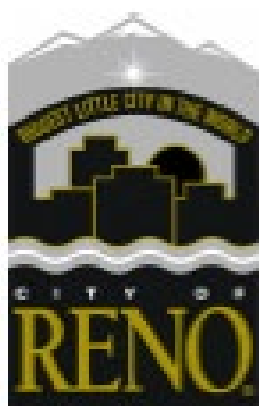


# City of Reno, NV

## Payroll Performance Audit

Deliverable version – DRAFT



### Submitted by:

BerryDunn  
2211 Congress Street  
Portland, ME 04102-1955  
207.541.2200

### Bill Brown, Principal

[bbrown@berrydunn.com](mailto:bbrown@berrydunn.com)

Yoko McCarthy, Engagement Manager

[ymccarthy@berrydunn.com](mailto:ymccarthy@berrydunn.com)

Colin Buttarazzi, Project Manager

[cbutarazzi@berrydunn.com](mailto:cbuttarazzi@berrydunn.com)

Submitted on: 5/15/2023

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## Executive Summary

The City of Reno (City) engaged BerryDunn to perform an independent performance audit of its payroll processes to help ensure compliance with laws and regulations as well as to report on the adequacy of the Payroll Division's processes. This report includes background information on the City, test procedures, interviews conducted, documents reviewed, and audit results.

BerryDunn conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require BerryDunn to plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. BerryDunn believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## 1 Background

The City engaged BerryDunn to perform an independent performance audit of the Payroll Division to help ensure compliance with laws and regulations as well as to report on the adequacy of processes conducted within the Payroll Division.

This performance audit is a part of the City's Internal Audit Program (IAP). City executive management approved an arrangement for internal audit services for the City to be co-sourced under the overall direction of the City's internal auditor who reports functionally to the Financial Advisory Board and the City Manager. The goal of the IAP is to improve the effectiveness of risk management, internal controls, and governance processes

Table 1 includes a list of all City departments.

**Table 1: City Departments**

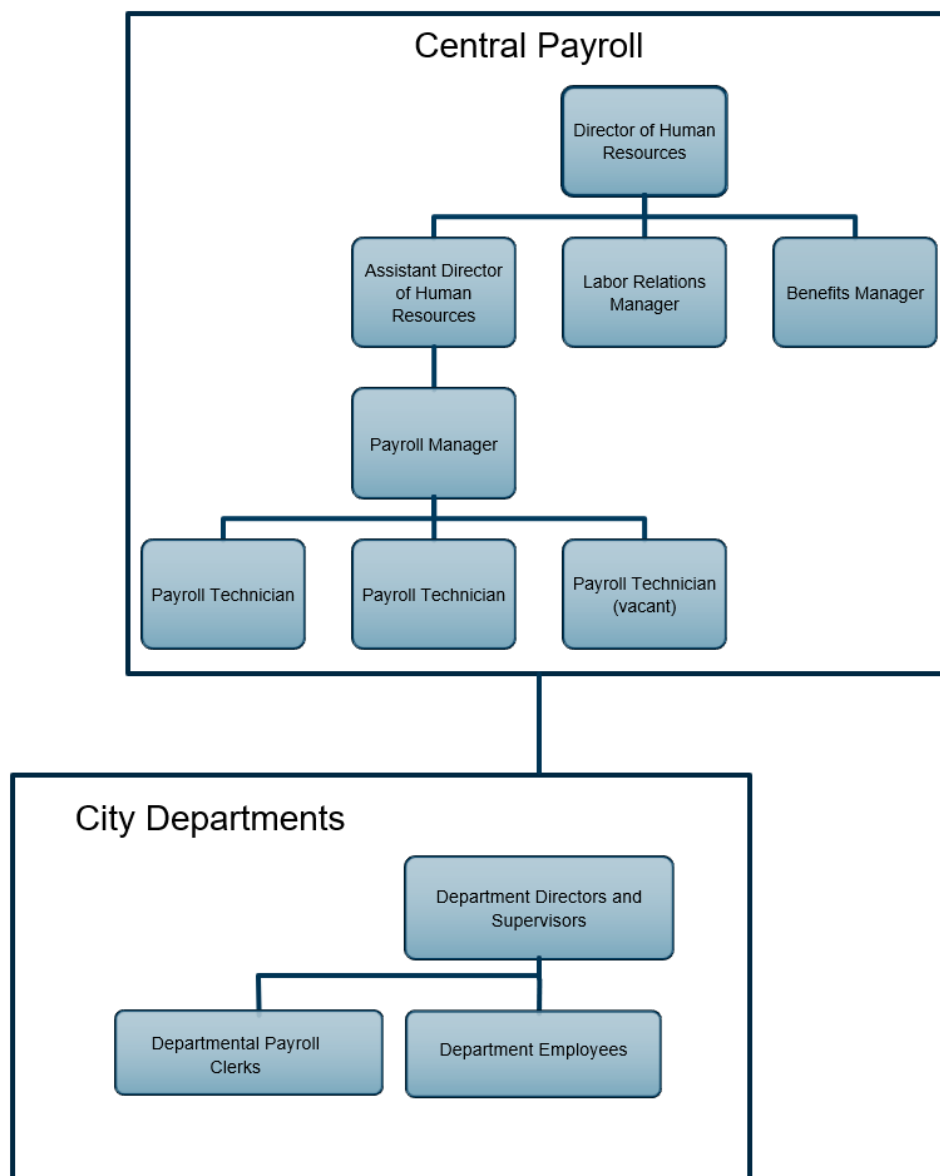
Department	Department Description
City Attorney	The City Attorney's Office consists of two primary divisions, Civil and Criminal. Each division is headed by a Chief Deputy City Attorney.
City Clerk	The City Clerk functions as the clerk of the council and maintains all official records of the City, pursuant to the Reno City Charter, Section 3.040. This includes providing for all public notifications, a comprehensive legislative tracking system for council action and minutes, and the indexing of all documents for archiving and retrieval.
City Manager's Office	The City Manager's mission is to carry out the policies and programs approved by the City Council and to provide administrative leadership.
Civil Service Commission	The Civil Service Commission is established by the State of Nevada Legislature in the Reno City Charter, Article IX. The Commission is an autonomous body of seven City residents. Commissioners have no other connection to the City, are appointed by the mayor, and are approved by the City Council to serve a five-year term.
Code Enforcement	Code Enforcement assists to enforce the Reno Municipal Code as it applies to property maintenance, property nuisances, and other issues in residential and commercial zoning districts.
Communications	The Communications Department handles citywide communications and media relations.
Development Services	The Development Services Department is responsible for the physical and economic development of the City. Department activities range from maintaining long-range plans for the City to reviewing plans for new buildings and issuing business licenses.
Information Technology	The Department of Information Technology (DoIT) operates all of the City's major information systems, including public safety dispatch, citywide networks, software implementation, and Geographic Information Systems.

Department	Department Description
Finance	The Finance Department serves many important functions for the City and maintains several services used by Reno residents and businesses. Finance services include sewer financial management, revenue, purchasing, and accounts payable.
Fire	The Reno Fire Department provides residents and visitors with emergency services in the protection of lives and property.
Human Resources (HR)	HR is responsible for planning, coordinating, and administering a comprehensive HR management program for the City.
Maintenance and Operations	The Maintenance and Operations Department is responsible for providing convenient and safe public streets, storm drainage, sanitary sewers, and facility maintenance services, as well as efficient City fleet management in support of operating departments.
Municipal Court	As a separate and co-equal branch of government, the Court is responsible for the adjudication of traffic and criminal misdemeanor violations as well as code violations that occur within the limits of the City. The Court also provides treatment and supervision to offenders who participate in its various specialty court programs, promoting public safety and accountability in those seeking recovery.
Parks and Recreation	The Parks and Recreation Department offers a wide range of activities, including sport leagues and facilities, youth activities, health and wellness services, and parks and trails.
Police and Public Safety Dispatch	The Reno Police Department is responsible for maintaining public safety in the City. Activities performed include crime prevention, emergency response, crime investigation, victim assistance, and community relations. The Reno Public Safety Dispatch is a regional 911 emergency response center that provides services to City residents and the surrounding areas of Washoe County.
Public Works	The Public Works Department offers many services to City residents and visitors, including design, operation, and maintenance of City-owned facilities, sewers, storm drains, and road infrastructure.
Utility Services	The Utility Services Department includes Environmental Control, Environmental Engineering, and Stead Water Treatment systems. The department was recently restructured and was previously part of Public Works.

Each City department includes at least one departmental payroll clerk who is responsible for tracking, reviewing, and submitting payroll information to the Payroll Division (Central Payroll) each pay period. Central Payroll has been part of the HR Department since March 2022. Prior to that time, it was a function of the Finance Department. Central Payroll staff work with departmental payroll clerks to complete the payroll process each pay period.

Central Payroll responsibilities fall under the supervision of the assistant HR director. The assistant HR director directly oversees the payroll manager, who oversees the payroll technicians. Currently, there are two full-time payroll technicians who process departmental payroll on a regular basis. These two payroll technicians alternate the responsibility for preparing and reviewing payroll each pay period. As of the report date, there is an opening for a third payroll technician position. **Figure 1** depicts the organizational structure of City resources involved in the payroll process.

**Figure 1: Payroll Organizational Chart**



The City manages 10 collective bargaining agreements (CBAs) that include employees across various departments as seen in **Table 2** below. The CBAs outline requirements related to payroll, such as rate increases, leave accruals, and the use of special pay codes—including overtime and shift differentials—for each group of employees. Unrepresented employees include department heads as well as HR, Finance, Municipal Court, and City Manager’s Office employees.

**Table 2: CBAs**

Bargaining Agreement	Bargaining Agreement Description
IAFF Local 731	Reno Firefighters Local 731 – International Association of Firefighters
L39 Non-Supervisory	International Union of Operating Engineers – Non-supervisory
L39 Supervisory	International Union of Operating Engineers – Supervisory
RAPG-Admin	Reno Administrative/Professional Group – Administrative Unit
RAPG-Pro	Reno Administrative/Professional Group – Professional Unit
RFDA	Reno Fire Department Administrators' Association
RPPA	Reno Police Protective Association
RPSAE DC	Reno Police Supervisory/Administrative Employees Administrative Unit – Deputy Chiefs
RPSAE LT	Reno Police Supervisory/Administrative Employees – Lieutenant
RPSAE-SGT	Reno Police Supervisory/Administrative Employees Supervisory Unit – Sergeant

## Payroll Systems and Tools in Use

- **New World eSuite™ Software:** A Tyler Technologies enterprise resource planning (ERP) product used by the City for processing payroll from time entry through employee payment.
  - **eSuite™:** The function of New World used by departmental employees for entering and reviewing time. The information in eSuite™ is generally reviewed and approved by department directors and then uploaded to the main New World system to be further processed by Central Payroll technicians.
- **When to Work:** A scheduling and timekeeping system for temporary employees used by the Parks and Recreation Department.
- **TeleStaff:** A roster-based scheduling system used by the Police and Fire Departments.

- **MaintStar:** A fleet management software used to track time by the Maintenance and Operations Department.

## Summary of Payroll Process

The City's payroll is processed every other week. Central Payroll finalizes and submits payroll every other week on Mondays. The week before payroll is finalized, the departmental payroll clerks send a message to all employees in their department, reminding them to update their hours. Although each department has its own unique system, a reminder message is typically sent the Monday or Wednesday before payroll is finalized. The deadline for employees to submit time in the designated timekeeping system is the Thursday before Central Payroll finalizes payroll.

- The Fire and Police Departments' departmental payroll clerks export payroll information from TeleStaff to Excel spreadsheets. The department clerks then organize the data before it is manually uploaded to New World.
- The Parks and Recreation Department uses When to Work, and its departmental payroll clerks download the hours from When to Work into Excel spreadsheets and send them to Central Payroll for manual upload to New World.
- Employees from all other departments manually input their time into eSuite™ on the Thursday before payroll is finalized.

On the Thursday afternoon or Friday morning before payroll is finalized, the departmental payroll clerks verify the accuracy of their department employees' hours. They do so by comparing each employee's timecard to leave slips, team calendars, or CBAs. Leave slips and team calendars are used by most departments to monitor sick and vacation time, and CBAs are used to confirm total regular hours for union workers. The departmental payroll clerks make adjustments or corrections to the employees' hours in eSuite™ as needed before sending the hours report to a supervisor for approval on Friday morning. Once an approval is given by a director or supervisor, the hours are transferred to New World by Central Payroll, typically on Friday afternoon.

The departmental payroll clerks can make adjustments after the hours are uploaded to New World without further approval from a supervisor.

Table 3 summarizes the head count for each department, the number of employees able to process payroll and execute changes, and those authorized to approve overtime and special payments.



**Table 3: Department Summaries**

	Department	# of Employees	# of Employees Able to Process Payroll and Make Changes in New World	# of Supervisors Able to Approve Overtime and Special Codes
1	City Attorney	23	2	3
2	City Clerk	11	2	1
3	City Manager	71	2	1
4	Civil Service	5	1	1
5	Code Enforcement	18	2	3
6	Communications	5	1	1
7	Development	62	2	10
8	Information Technology	25	1	3
9	Finance	16	2	4
10	Fire	303	1	13
11	HR	20	2	4
12	Maintenance and Operations	150	6	9
13	Municipal Court	52	2	5
14	Parks and Recreation	466	2	7
15	Police and Public Safety Dispatch	450	1	65
16	Public Works	47	1	4
17	Utility Services	29	2	2

Once the departmental payroll clerks finalize the hours, Central Payroll technicians perform all remaining tasks necessary to complete the processing of payroll. This includes:

- Reviewing hours and running reports to identify any errors or issues
- Verifying and performing payroll changes
- Making retroactive pay period adjustments
- Verifying and calculating accruals
- Submitting payroll information to the bank

- Sending essential payroll records to the City Clerk's Office for retention
- Terminating employees in New World

A complete step-by-step list of the activities Central Payroll performs to process payroll is included as **Attachment 1 – Payroll Process**.

Diagrams of the departmental payroll clerk and Central Payroll technician processes are included as **Attachment 2 – Payroll Process Diagrams**.

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## 2 Objectives, Scope, Methodology

### 2.1 Objectives

The objectives of this audit were to assess:

- Objective 1: Accuracy, completeness, reliability, and timeliness of significant financial, managerial, and operational information
- Objective 2: Compliance with employee policies, standards, procedures, applicable rules, and regulations of policies
- Objective 3: Sufficiency of policies related to acquiring, deploying, and using resources in an economical, efficient, and secure manner
- Objective 4: Sufficiency of information system protection against theft, loss, and damage to help ensure confidentiality, integrity, and availability of information
- Objective 5: Sufficiency of policies related to special handling of pay codes based on current bargaining unit requirements

### 2.2 Scope

BerryDunn conducted this audit in accordance with generally accepted government auditing standards. We primarily focused on payroll data for City employees from July 1, 2021, through June 30, 2022.

The City directed BerryDunn to include the following 17 departments in the scope of this performance audit:

1. City Attorney
2. City Clerk
3. City Manager and City Council
4. Civil Service
5. Code Enforcement
6. Communications
7. Development
8. Finance
9. Fire
10. HR
11. Information Technology

12. Maintenance and Operations
13. Municipal Court
14. Parks and Recreation
15. Police and Public Safety Dispatch
16. Public Works
17. Utility Services

Generally accepted government auditing standards require BerryDunn to plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This audit focused on the following areas based on risks identified during the planning phase:

- Oversight and compliance
- Over- and underpayments
- Recordkeeping
- Fictitious employees

## 2.3 Methodology

BerryDunn utilized several methodologies to gather and analyze information throughout the audit to address the audit objectives. The methodologies included:

### **Interviews**

BerryDunn conducted 24 interviews with personnel from each department within the scope of this performance audit. We used the interviews to gain an understanding of the payroll processes used by Central Payroll and City departments. We inquired about payroll policies and procedures, employee training, systems and tools, special pay codes, terminations and onboarding, CBAs, system security, and record retention. We also asked the interviewees about any concerns they had related to the payroll process and improvements that could be made from their perspective.

Table 4 lists the personnel we interviewed.

**Table 4: Interview List**

Payroll Division	Interviewee Title
Central Payroll	Payroll Manager Payroll Technician Payroll Technician
Department	Interviewee Title
City Attorney	Management Assistant
City Clerk	Management Assistant
City Manager's Office (City Council)	Assistant to City Manager Administrative Secretary
Civil Service	Civil Service Technician
Code Enforcement	Secretary
Communications	Management Assistant
Development	Management Assistant Management Analyst
Finance	Management Assistant
Fire	Program Assistant
HR	Assistant Director Benefits Manager Labor Relations Manager Program Assistant
Information Technology	Administrative Secretary Senior Systems Analyst Senior Cyber Security Analyst
Maintenance and Operations	Program Assistant
Municipal Court	Assistant to Court Administrator
Parks and Recreation	Administrative Secretary Office Assistant
Police and Public Safety Dispatch	Administrative Services Manager Management Assistant
Public Works	Program Assistant Management Analyst
Utility Services	Program Assistant

## Review of Documentation

- Employee Audit Report
- Employee Compensation Report
- Employee Terminations Report and Supporting Documents
- Overtime Report
- Paid Time Off Report
- Shift Differential Report
- Payday Registers
- Payroll Procedures
- Record Retention Schedule

## Observations

We observed departmental payroll clerks and technicians perform timekeeping and payroll procedures and generate payroll reports in the following systems:

- TeleStaff – timekeeping and scheduling system
- eSuite™ – timekeeping and HR information system (HRIS)
- New World – payroll processing and reporting

## Testing

BerryDunn examined and tested payroll records and employee pay information from July 1, 2021, through December 31, 2022. We obtained a complete list of City employees from Central Payroll and HR, from which we selected a random sample of 215 employees (10% of all City employees).

We selected a subsample of these employees for assessment of compliance with the City's policies and procedures for overtime, pay rates, and payroll changes.

We selected a sample of 10% – 15% of the employees who appeared on the payroll reports to test shift differentials and terminations.

We made the following sample selections on which we performed the indicated tests to verify accuracy and completeness:

- Selected a subsample of 15 employees from the original sample of 215 employees. We analyzed 127 **overtime** records to verify if overtime records were accurately processed and met established policies and procedures as well as if CBAs and state requirements were followed.

- Sampled 54 employees from the **shift differential** report and analyzed 164 shift differential payments that occurred during the pay periods ending on February 24, 2022, April 7, 2022, July 28, 2022, and December 12, 2022.
- Reviewed the **manual payments** report and identified 37 manual payments that occurred in 2022. Reviewed all 37 manual payments to verify if the payments were processed according to the City's policies and procedures for manual payments.
- Selected a random sample of 13 employee **terminations** from all 131 terminations that occurred between January 1 and December 31, 2022, to verify if established policies and procedures, as well as state requirements, were followed.
- Selected a random subsample of 22 employees from the original sample of 215 employees. We randomly selected four months in 2022 (February, April, September, and December) and reviewed **payroll changes** that occurred for each employee to verify if payroll transactions were accurately processed and met established policies and procedures, as well as if state requirements were followed.
- Sampled 28 employees who were the highest and lowest earning employees of 14 departments and reviewed their **pay rates and earnings** for the randomly selected pay periods ending on February 24, 2022, April 7, 2022, July 28, 2022, and December 12, 2022.
- Reviewed segregation of duties related to onboarding and terminating employees in New World and compared a complete list of employees obtained from each department with the list extracted from New World to determine whether controls were adequate to help prevent the occurrence of duplicate payments or payments to **fictitious employees**.

**Table 5** outlines the sample populations and sizes for each test performed during the audit:

**Table 5: Sample Populations and Sizes**

Test	Population	Sample	Primary Subsample	Secondary Subsample
Manual Payments	37 manual payments	37 employees	N/A	N/A
Overtime	2,148 employees	215 employees	15 employees	127 records
Shift Differential	577 employees	54 employees	164 records	N/A
Terminations	131 employees	13 employees	N/A	N/A
Payroll Changes	2,148 employees	215 employees	22 employees	8 employees
Earnings	17 departments	14 departments	28 employees	83 records
Fictitious Employees	2,148 employees	N/A	N/A	N/A
	<b>Total</b>	548 samples	229 samples	218 samples

### 3 Findings

To help ensure compliance with laws and regulations as well as to report on the adequacy of processes conducted within Central Payroll, BerryDunn interviewed departmental payroll clerks and Central Payroll staff and tested samples of employee payroll activities for compliance with City policy and procedures as well as state and federal requirements.

BerryDunn assessed the following five objectives utilizing the methodologies listed in Section 2

- Objective 1: Accuracy, completeness, reliability, and timeliness of significant financial, managerial, and operational information
- Objective 2: Compliance with employee policies, standards, procedures, applicable rules, and regulations of policies
- Objective 3: Sufficiency of policies related to acquiring, deploying, and using resources in an economical, efficient, and secure manner
- Objective 4: Sufficiency of information system protection against theft, loss, and damage to ensure confidentiality, integrity, and availability of information
- Objective 5: Sufficiency of policies related to special handling of pay codes based on current bargaining unit requirements

#### **Objective 1: Accuracy, completeness, reliability, and timeliness of significant financial, managerial, and operational information**

##### **Finding 1.1: Certain payments processed by departmental payroll clerks and technicians were inaccurate**

**Manual Payments** – BerryDunn reviewed the manual payments report from New World and identified 37 employees who received a manual payment in 2022. According to the payroll technicians and payroll manager, the City withholds deductions and pays employee benefits on the first payday of the month. If a manual payment occurs during the first pay period of the month, then New World deducts the total benefits amount from the employee's pay. If a manual payment occurs during the second pay period of the month, New World itemizes but does not deduct the benefits from the employee's pay. 34 of the 37 (92%) manual payments were inaccurate and appeared to exclude payments for some employee benefits.

**Overtime** – BerryDunn reviewed 127 overtime records for 15 employees and found one instance where the overtime hours worked in the New World system did not match the overtime hours paid. The result of this error was that an employee of the Police Department was paid an additional six hours of overtime between February 11 and 24, 2022.

Although BerryDunn observed that most overtime hours entered by departmental payroll clerks into New World appear to be correct, the pay rates used to determine the gross pay for certain samples were inaccurate. BerryDunn found six employees received five overpayments and



seven underpayments for overtime hours worked between July 4, 2021, and May 5, 2022, due to incorrect employee pay rates. Although 25% of those payment errors were less than \$1, eight of the over- and underpayments were between \$2.56 and \$212.90.

**Shift Differential** – BerryDunn analyzed 164 shift differential records for 55 employees and found one payment error: An employee was underpaid by \$25 during the pay period ending on July 28, 2022.

**Table 6: Inaccurate Payments**

Payment Type	# of Inaccurate Payments	Total Samples	# of Employees
Manual payments	34	37	37
Overtime	15	131	15
Shift differential	1	164	54
Total	50	332	106

The Fair Labor Standards Act (FLSA) does not require extra pay for night work or shifts outside of an employee's regular working hours. According to the Department of Labor (DOL), additional pay for working night shifts is a matter of agreement between the employer and the employee (or the employee's representative). Subject to Nevada Revised Statutes (NRS) and FLSA requirements, the City must pay employees at a rate of at least one and one-half times the employee's regular rate of pay for each hour worked in a workweek in excess of the maximum allowable in a given type of employment.

**Recommendation 1.1**

**Audit regular and special pay codes**

BerryDunn recommends that Central Payroll regularly audit City employees' base pay rates to verify that employee compensation for regular and special pay codes is accurate in order to ensure compliance with state and federal requirements.

**Finding 1.2: Employee earnings were calculated using an incorrect rate for certain employees in our sample**

BerryDunn sampled 28 employees who were the highest and lowest earners from 14 of 17 departments and reviewed the pay rates and earnings for the randomly selected four pay periods ending on February 24, 2022, April 7, 2022, July 28, 2022, and December 12, 2022. Based on the lack of segregation of duties in the City's current onboarding and termination procedures for payroll, BerryDunn assessed that the highest and lowest earners would be the most impacted by risk of payment errors. The audit team found 42 of 83 payments to 28 City employees sampled had a variance larger than \$1.

- Of 28 employees, 10 received **overpayments** between \$1.68 and \$16.78 per hour.

- BerryDunn found an error that involved an employee whose hourly pay rate was listed incorrectly in New World as \$10. According to Central Payroll, the employee's hourly rate increased from \$10 to \$12 due to a mass rate increase that was implemented on July 1, 2021. Although the hourly pay rate listed in New World was incorrectly shown as \$10, the employee was paid the correct hourly rate of \$12 as of the effective date of the pay increase.

The same employee voluntarily resigned on June 8, 2022; however, the department's payroll clerk did not submit the personnel and payroll action form until August 31, 2022. Consequently, Central Payroll was unaware of the termination, and incorrectly applied an additional mass rate increase to the employee's pay in New World to adjust the pay rate from \$12 to \$13 on July 1, 2022. Central Payroll eventually deleted the payroll change to terminate the employee in New World.

We reviewed the pay day registers from the pay periods following the employee's termination on June 8, 2022 and determined the employee did not receive any overpayments. Notably, the employee did not appear on the termination report for terminations that occurred within the calendar year 2022.

- Of 28 employees, 12 received **underpayments** between \$3.71 and \$42.69 per hour.

The City must comply with NRS for employee compensation and wages. According to NRS 608.012, wages are the amount that an employer agrees to pay an employee for the time the employee has worked, computed in proportion to time; commissions owed the employee; and amounts due to a discharged employee or to an employee who resigns or quits pursuant to NRS 608.040. Nevada also requires employers to pay employees wages for each hour the employee works except as otherwise provided in NRS 608.0195 and 608.215 (NRS 608.016).

Recommendation 1.2
<b>Monitor the compensation rates of the highest and lowest earning employees</b> BerryDunn recommends that the payroll manager monitor employee compensation rates of the highest and lowest earners and use the findings as a benchmark for evaluating the accuracy of pay rate changes for all employees.

### Finding 1.3: The City's payroll system does not provide sufficient reporting capabilities

The City's payroll system has several reporting limitations, which inhibit compliance and oversight by Central Payroll. The limitations below are based on the City's current use of the New World system:

- Insufficient reporting capabilities
  - Insufficient reporting capabilities can limit the ability to analyze payroll data and identify trends. Although the system allows users to export the payroll data into various file formats, such as PDFs or spreadsheets, the process to manipulate the data for testing compliance is manual and unnecessarily vulnerable to human

error. New World also has limited customization options for reports and does not generate reports that meet the specific needs of Central Payroll, departmental payroll clerks, and supervisors who approve payroll changes.

- Inadequate data capture
  - New World does not capture all the data required to generate comprehensive reports because the system is not fully integrated with eSuite™ or other HR systems.
- Cumbersome report generation processes
  - The time required to generate complex reports from New World appears to be excessive, which limits the frequency with which reports are generated for compliance and oversight reviews.
- Lack of analytical tools
  - New World does not provide sophisticated analysis tools, which limits meaningful analysis of payroll data.
- Inadequate documentation
  - New World lacks adequate documentation, such as user manuals and training materials, which can result in user confusion and errors.

Clearly defined reporting requirements can help ensure that the payroll system is configured to capture and report the necessary data accurately. Implementing customized and tailored reports can increase Central Payroll's ability to monitor and track payroll transactions for compliance.

Recommendation 1.3
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<b>Review and audit payroll reports from New World and implement new payroll reporting requirements</b>
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BerryDunn recommends Central Payroll periodically review payroll reports from New World and audit for accuracy and completeness. Central Payroll and the DoIT should clearly define payroll reporting requirements and help ensure that the payroll system is configured to capture and report the necessary data for monitoring and helping to ensure payroll compliance.
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**Finding 1.4: The New World system has limitations for automatically performing mass rate increases**

Based on interviews with Central Payroll resources, BerryDunn observed that the controls in place do not appear adequate to reduce the risk of manually processing mass rate increases based on CBAs. The New World system has a function in place to automatically adjust all employee pay rates based on the requirements outlined in each CBA. If performed automatically by the system, the risk of errors is minimal. However, if an employee involved in

the CBA has a new event, such as a direct deposit adjustment, a subdepartment change, or project code change, on the day the automatic adjustment is set to take effect, the system will not be able to automatically calculate rate increases and the rates must be adjusted manually by Central Payroll for all employees in the CBA.

When Central Payroll is unable to perform a mass rate increase prior to the date the increase is set to take effect, due to a system issue or a delay by the payroll manager, it must perform a *retroactive* mass rate increase. The retroactive increase is completed by manually adjusting the pay rates in the system and calculating the amount of money each employee is owed for time worked at the incorrect rate between when the mass rate increase should have taken effect and when it was actually performed.

A delay in performing a mass rate increase impacts employees by providing them with a lower payment amount than they are owed until the increase can be put into effect and back pay is provided.

The current payroll manager has been able to avoid performing retroactive rate increases by making the adjustments in a timely manner and communicating the timing of the rate increase with their staff to avoid having an automatic adjustment rejected by the system.

While the current payroll manager has established a process for avoiding the need to perform manual or retroactive mass rate increases, the New World system does not appear to have sufficient controls in place to help prevent the occurrence of a manual process.

#### Recommendation 1.4

##### **Identify and implement system controls to help prevent manual mass rate increases**

BerryDunn recommends that Central Payroll work with its system vendor to identify any available updates or changes to the New World system that would help avoid the risk of having to perform manual or retroactive rate increases.

#### **Objective 2: Compliance with employee policies, standards, procedures, applicable rules, and regulations of policies**

##### **Finding 2.1: Lack of written policies and procedures for terminating employees**

The City does not have written policies and procedures for processing employee terminations at the department level nor the Central Payroll level. Therefore, BerryDunn worked with Central Payroll to document the process that it intends for each department to follow when processing an employee termination. Central Payroll suggested departmental payroll clerks send an email to provide notice of the employee's termination and include the employee's termination personnel and payroll action form, the employee's notice of resignation, and a Public Employees Retirement System (PERS) termination form in the email. Central Payroll also indicated that departmental payroll clerks must notify Central Payroll of the termination before the end of the pay period during which full-time employees are terminated. Central Payroll does not have clear procedures for communicating part-time employee terminations.

Through our testing of a sample of 13 employee terminations, BerryDunn identified the following five incidents that were not in compliance with Central Payroll procedures:

- Two terminations tested were not communicated to Central Payroll before the end of the pay period during which the employee was terminated.
- Three of the terminations tested did not include the notice of resignation from part-time employees.

The Nevada DOL has established requirements for when employers in Nevada must provide employees with their final paycheck following termination. DOL guidance says that if an employee voluntarily leaves employment, they must receive their final wages within seven days or by the next regular pay day, whichever is earlier.<sup>1</sup>

Based on our testing, it does not appear the City is complying with the established state regulations for the timing of an employee's final check. Of the 13 terminations tested, 11 included payments to employees more than seven days after the date of termination.

Recommendation 2.1
<b>Document termination procedures</b> BerryDunn recommends the City establish written policies and procedures for processing employee terminations that are in line with State DOL requirements.

### **Finding 2.2: City departments are not consistently aware of the record retention policy for payroll information**

The City is subject to the Nevada Local Government Retention Schedule, which was adopted in accordance with NRS 239.125 and Nevada Administrative Code (NAC) 239.155. The schedule establishes the minimum retention periods for all government-related documents including payroll records, such as payroll administrative reports, payroll deduction documents, and payroll registers/reports.

Central Payroll is responsible for helping to ensure it receives and archives all applicable records pertaining to all payroll for the City.

The City Clerk's Office maintains payroll records in a system called OnBase. Central Payroll uploads and categorizes the reports and records in OnBase for each payroll period. This includes:

- Payroll registers

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<sup>1</sup> State of Nevada Department of Business & Industry Office of the Labor Commissioner. n.d. "Frequently Asked Questions." *State of Nevada Department of Business & Industry Office of the Labor Commissioner*. Accessed May 12, 2023.

[https://labor.nv.gov/About/Frequently\\_Asked\\_Questions/Frequently\\_Asked\\_Questions\\_-\\_About\\_Us/](https://labor.nv.gov/About/Frequently_Asked_Questions/Frequently_Asked_Questions_-_About_Us/)

- Deferred compensation change requests
- Personnel and payroll action forms
- Other documents used to effect a change in a payroll period

Based on interviews with departmental payroll clerks, it does not appear that there is a consistent understanding across the departments as to the procedures for retaining payroll records. Some departments did not have a clear understanding of which records should be retained and for how long, leading to confusion and inconsistency in record management practices across departments. This lack of understanding and awareness of record retention policies may also pose a risk to data security and confidentiality, particularly if sensitive information is not adequately protected during the retention and disposal process.

Because departments are unaware of the process they should follow for record retention, departments are unnecessarily maintaining certain records, which increases security and privacy risks related to employee personal information.

We recommend that the City establish documented procedures for departments outlining the responsibilities each party has in retaining and disposing of payroll information and reports. We suggest that Central Payroll develop periodic training and awareness programs to educate employees about the record retention policies and help ensure that all departments are adhering to the mandated retention and disposal periods.

Recommendation 2.2
<b>Train payroll staff on the record retention policy and department expectations for when and how to dispose of records</b>
BerryDunn recommends that the City train all staff involved in payroll processing on the record retention policy and each employee's responsibilities related to payroll record retention and disposal.

### **Objective 3: Sufficiency of policies related to acquiring, deploying, and using resources in an economical, efficient, and secure manner**

#### **Finding 3.1: Lack of segregation of duties and internal controls for processing payroll**

Based on interviews with departmental payroll clerks and Central Payroll staff, it does not appear that there are adequate controls in place to identify whether payments were made to fictitious employees. Payroll technicians and the payroll manager have unrestricted access to all functionality within New World.

- The current process for adding new employees to New World lacks proper controls.
  - New full-time employees are added to the New World system by Central Payroll technicians following the receipt of paperwork on full-time new hires from HR.



- New part-time employees are added to the New World system by Central Payroll technicians following the receipt of paperwork on part-time new hires from departmental payroll clerks.
- Once Central Payroll adds the employees to New World, the department clerks have access to information and can process payroll.
- The City does not currently have a review process in place to help ensure new employee details are entered accurately.
- The departmental payroll clerk makes adjustments after payroll is approved, as needed.

Lack of segregation of duties can lead to payroll inaccuracies, improper payments, and payments to inactive or fictitious employees. To assess the City's controls for prevention of payments to fictitious employees, BerryDunn requested a list of employees from the payroll clerks of each department.

- We compared the lists to a report of 2,148 active and terminated employees from New World provided by Central Payroll. Although we did not identify any potentially fictitious employees, we further observed that seven terminated employees were still listed as active employees in New World. This indicates a deviation from the process, which poses an increased risk of improper payments and unauthorized access to sensitive information or systems.

Access to and user permissions for payroll should be limited based on the job responsibilities of each employee. The City should clearly define segregation of duties in the payroll policy and procedure manual. Employees who are responsible for approving and processing pay should not be responsible for entering new employee information or removing employees from the payroll system.

Recommendation 3.1
<b>Implement segregation of duties and reassign the task of entering new employees into New World</b> BerryDunn recommends that the City separate the duties of entering and removing employees from New World from Central Payroll's responsibilities. HR should assign the function to an employee who does not approve timecards or process payroll for City employees. We recommend that Central Payroll should also regularly monitor and audit employee information and payroll data to identify terminated employees who are still listed as active in the payroll system.

### Finding 3.2: Lack of a written policy and procedure manual for processing payroll

Based on reviews of documentation and interviews with departmental payroll clerks and Central Payroll resources, it does not appear that the City maintains an updated manual of instructions for processing payroll at a department or Central Payroll level.

The lack of written policies and procedures for payroll at the department level may lead to inconsistent understanding of, and compliance with, the unwritten expectations.

BerryDunn selected a sample of 215 employees, representing 10% of City employees. To assess whether departmental payroll clerks followed the City's policy for payroll changes, we selected a subsample of 22 employees from the initial sample and requested supporting documentation for any payroll changes that occurred during 2022; only eight of the samples were applicable.

- For four of the eight payroll changes tested, the documentation was incomplete.
  - For three selections, a division head failed to sign and date the personnel and payroll action forms.
  - For one selection, the initial email from the employee requesting the payroll change was omitted from the file.

To initiate changes to an employee's pay, the departmental payroll clerks complete a personnel and payroll action form and submit the changes to Central Payroll by email. Not all payroll changes require a personnel and payroll action form; payroll actions, such as decreases and increases to deferred compensation or corrections and edits to employee W-2 information, only require an email from the employee or departmental payroll clerk to initiate the change.

The lack of clearly defined policies and procedures inhibits Central Payroll's ability to provide quality assurance over the payroll processes, which subsequently exposes the City to the risk of time entry and payroll errors that may result in over- and/or underpayments.

The payroll technicians have developed procedures, but Central Payroll has not formally approved, adopted, or updated the procedures.

#### Recommendation 3.2

##### **Develop a policies and procedures manual to help ensure accurate and consistent payroll processing**

BerryDunn recommends that the City formally adopt a set of payroll procedures that are maintained and updated by the payroll manager to help ensure consistent procedures are being followed by the payroll technicians, departmental payroll clerks, department supervisors/directors, and City employees.



**Finding 3.3: Lack of adequate training for departmental payroll clerks and Central Payroll staff**

Based on interviews with City resources, it appears that the City lacks proper training procedures for processing payroll. Payroll clerks from all 17 departments BerryDunn interviewed indicated that they did not receive any formal training in their role. All clerks learned how to perform their departmental payroll clerk responsibilities on the job by shadowing the former departmental payroll clerk and/or contacting Central Payroll with specific questions.

BerryDunn observed that there are no documented guidelines or manuals outlining steps and processes required for accurate and timely payroll processing. There are also no standardized processes in place for training supervisors and payroll technicians on reviewing and approving payroll data, resulting in inconsistent practices across departments. In addition, department payroll resources and Central Payroll staff are not provided with periodic training on the New World system to learn about system functionality and tools for tracking and reporting time.

The lack of formal training procedures can lead to inconsistent payroll processing and uncertainty from Central Payroll staff around how each department processes payroll.

Training for all City payroll staff should include newly established internal policies and procedures for processing payroll, as well as training on system functionality and reporting. Supervisors and department heads should be trained on the proper review and approval process to help ensure consistency across departments. The training should cover all aspects of payroll processing, including calculation of wages, payouts, deductions, and benefits, as well as verification, approval, and reporting of payroll information.

**Recommendation 3.3****Develop training materials and facilitate training sessions with City departments and Central Payroll staff**

BerryDunn recommends that City staff who have a role in processing payroll, including payroll clerks, supervisors, and Central Payroll staff, be provided with training on established payroll policies and procedures to help ensure consistent implementation of payroll procedures.

**Objective 4: Sufficiency of information system protection against theft, loss, and damage to ensure confidentiality, integrity, and availability of information****Finding 4.1: Payroll clerks have unrestricted access to employee information in New World**

Based on interviews with DoIT staff it appears that personal identifiable information (PII) is accessible by all payroll clerks for all past and present employees in their department. This includes Social Security number, address, mother's maiden name, and next of kin.

The New World system includes three levels of permissions for employees:

- Level 1 – All City employees

- Access eSuite™ to enter their hours into the timesheet
- Level 2 – Departmental payroll clerks and departmental payroll clerk backups
  - Ability to move department hours to New World for payroll processing
  - Access to PII for all employees, past and present, in their departments
- Level 3 – Payroll manager, payroll technicians, help desk, DoIT analyst, and DoIT manager
  - Manage and make changes to the New World and eSuite™ systems, including resetting accounts, changing passwords, and changing an employee's payroll information
  - Access to PII for all employees, past and present, in all departments

During our review, we identified that there is a lack of controls in place to restrict departmental payroll clerk access to PII, and there are no clear guidelines or procedures for employees to follow when accessing or handling this information. Certain City resources, such as HR and Central Payroll, need access to this information; however, departmental payroll clerks do not need access to all PII elements to perform their duties. Unnecessary access to PII can lead to unauthorized disclosure or misuse of sensitive data. We also observed that City resources are not provided with training on the safe use and handling of PII.

City PII guidelines and training should include rules for acceptable use, sharing, downloading, destruction, printing, and encryption (including backups) of PII. The National Institute of Standards and Technology (NIST) provides guidance and recommendations for protecting the confidentiality of PII.<sup>2</sup>

Recommendation 4.1
<b>Limit departmental payroll clerk access to PII</b> BerryDunn recommends that the City implement access control policies and procedures to limit employee access to PII to only those with a legitimate need to access it.

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<sup>2</sup> National Institute of Standards and Technology. April 2010. *Guide to Protecting the Confidentiality of Personally Identifiable Information (PII)*. Gaithersburg: National Institute of Standards and Technology. Accessed May 13, 2023. <https://nvlpubs.nist.gov/nistpubs/legacy/sp/nistspecialpublication800-122.pdf>

**Objective 5: Sufficiency of policies related to special handling of pay codes based on current bargaining unit requirements**

**Finding 5.1: Pay code structures in the system require manual updates**

According to the departmental payroll clerks and technicians, the majority of City employees are represented by a CBA between the City and the collective bargaining groups. The contracts outline specific requirements for some special pay codes, including:

- Longevity pay
- Overtime
- Compensatory overtime
- Shift differential pay

BerryDunn interviewed the City's labor relations manager who is responsible for administering and managing the labor contracts. During the interview, the labor relations manager indicated that processing special pay codes for the Fire Department is a manual process and identified multiple system limitations that could impair the payroll process:

- Firefighters recently received an increase to the deferred compensation rate; however, New World would not allow the payroll manager to input the new rate into the payroll system without manual adjustments.
- There are pay code structures in the system that require manual updates. For example, the pay grades for firefighters have a large amount of pay codes associated with each pay grade. When the payroll manager updates the salary range, the technician must also update the pay codes to match the new pay grade in New World. This manual step in the payroll process may lead to payroll inaccuracies and improper payments and result in a lack of compliance with CBAs.

**Recommendation 5.1**

**Develop and conduct quarterly reviews to verify the accuracy of payroll transactions related to special pay codes and help ensure compliance**

BerryDunn recommends the Central Payroll and the internal auditor develop and conduct reviews to verify accuracy of special pay codes and help ensure compliance with the CBAs.

**Observation 5.2: System limitations in eSuite™ and New World cause departmental payroll clerks and technicians to bypass internal controls for use of pay codes and changes to payroll**

Based on interviews with several departments, BerryDunn found the following system limitations-related hours and pay adjustments in eSuite™ and New World:

- Unpaid time cannot be entered into eSuite™. It must be left blank and updated in New World by departmental payroll clerks.
- Departmental payroll clerks can adjust time entries in eSuite™ without generating an alert to the employee or a request for approval. The system does not require a second approval by supervisors for any changes to timecards in eSuite™ or adjustments to pay in New World.

To verify controls related to payroll changes, BerryDunn sampled payroll data from July 1, 2021, through December 31, 2022, and identified the following exceptions:

- After comparing the payroll registers and the overtime report from New World, BerryDunn found one instance where overtime pay was coded incorrectly on the employee's final pay stub. The overtime report indicated the employee worked 24 hours of "OP 112 to CAP Overtime" yet was paid for 24 hours of regular overtime. According to Central Payroll, the pay code "OP 112 to CAP Overtime" was established as an overtime rate for the circumstance when a Fire Department employee at the operator level is working 112 hours in captain capacity.

We identified employees that are using inactive pay codes to process payroll. Payroll stated the hours code "OP 112 to CAP Overtime" was new and yet to be utilized by employees. After analyzing the payroll register and reviewing the overtime report, BerryDunn discovered that one employee was paid 25 hours using the inactive pay code between July 30 and August 12, 2021. Another employee was paid four hours of overtime and had a gross balance of 22.50 hours of "OP 112 to CAP Overtime." These errors indicate a lack of thorough review of timecards by supervisors and departmental payroll clerks before approving time and submitting the final timecards to Central Payroll.

New World has a reporting feature that allows Central Payroll to run audit reports on any City employee's payroll history. The audit trails provide information on the user who made the adjustment and the date and time the user initiated the change in the system.

#### Recommendation 5.2

##### **Monitor payroll changes to employee compensation and special pay codes in New World**

BerryDunn recommends that the payroll manager regularly monitor changes made in New World by departmental payroll clerks and the labor relations manager by reviewing the payroll audit reports to determine whether changes made to City employees' pay rates and pay codes were accurate. The payroll manager should use the audit trails in New World to review payroll changes on a quarterly basis to help ensure compliance with City policies and procedures for payroll and state and federal requirements for compensation.

## 4 Recommendations

**Table 7** below includes BerryDunn’s recommendations based on the results of the performance audit and payroll best practices. We categorized the priority of each recommendation as one of the following:

- High – Recommendations related to significant issues involving noncompliance with established policies, procedures, and state requirements that the City should prioritize. This category includes circumstances where the consequence of the error carries significant financial implications for the City and require immediate attention.
- Medium – Recommendations related to weaknesses in internal controls within the payroll process that require attention and have a moderate impact on the City’s resources.
- Low – Additional recommendations related to weaknesses in internal controls that the City should monitor and improve upon to help ensure accurate, consistent, and timely payroll processing. These recommendations do not require immediate attention or allocation of resources by the City.

Although we incorporated the likelihood and potential impact of risk into each category, the purpose of the ranking system is to provide guidance on which recommendations the City should prioritize to efficiently allocate its resources and efforts.

**Table 7: Summary of Recommendations**

BerryDunn Recommendations			
No.	Priority	Description	Management Response
1.1	High	BerryDunn recommends that Central Payroll regularly audit City employees’ base pay rates to verify that employee compensation for regular and special pay codes is accurate in order to ensure compliance with state and federal requirements.	
1.2	High	BerryDunn recommends that the payroll manager monitor employee compensation rates of the highest and lowest earners and use the findings as a benchmark for evaluating the accuracy of pay rate changes for all employees.	

BerryDunn Recommendations			
No.	Priority	Description	Management Response
1.3	Low	BerryDunn recommends Central Payroll periodically review payroll reports from New World and audit for accuracy and completeness. Central Payroll and the DoIT should clearly define payroll reporting requirements and help ensure that the payroll system is configured to capture and report the necessary data for monitoring and helping to ensure payroll compliance.	
1.4	Low	BerryDunn recommends that Central Payroll work with its system vendor to identify any available updates or changes to the New World system that would help avoid the risk of having to perform manual or retroactive rate increases.	
2.1	High	BerryDunn recommends the City establish written policies and procedures for processing employee terminations that are in line with State DOL requirements.	
2.2	Low	BerryDunn recommends that the City train all staff involved in payroll processing on the record retention policy and each employee's responsibilities related to payroll record retention and disposal.	
3.1	High	BerryDunn recommends that the City separate the duties of entering and removing employees from New World from Central Payroll's responsibilities. HR should assign the function to an employee who does not approve timecards or process payroll for City employees. We recommend that Central Payroll should also regularly monitor and audit employee information and payroll data to identify terminated employees who are still listed as active in the payroll system.	

BerryDunn Recommendations			
No.	Priority	Description	Management Response
3.2	High	BerryDunn recommends that the City formally adopt a set of payroll procedures that are maintained and updated by the payroll manager to help ensure consistent procedures are being followed by the payroll technicians, departmental payroll clerks, department supervisors/directors, and City employees.	
3.3	Medium	BerryDunn recommends that City staff who have a role in processing payroll, including departmental payroll clerks, supervisors, and Central Payroll staff, be provided with training on established payroll policies and procedures to help ensure consistent implementation of payroll procedures.	
4.1	Medium	BerryDunn recommends that the City implement access control policies and procedures to limit employee access to PII to only those with a legitimate need to access it.	
5.1	Low	BerryDunn recommends the Central Payroll and the internal auditor develop and conduct reviews to verify accuracy of special pay codes and help ensure compliance with the CBAs.	
5.2	Low	BerryDunn recommends that the payroll manager regularly monitor changes made in New World by departmental payroll clerks and the labor relations manager by reviewing the payroll audit reports to determine whether changes made to City employees' pay rates and pay codes were accurate. The payroll manager should use the audit trails in New World to review payroll changes on a quarterly basis to help ensure compliance with City policies and procedures for payroll and state and federal requirements for compensation.	

## Payroll Performance Audit

External Audit, BerryDunn

Reported May - August 2023



Finding #	Priority	Audit Recommendation	Corrective Action Plan/Management Responses Human Resources Department
1.1	High	BerryDunn recommends that Central Payroll regularly audit City employees' base pay rates to verify that employee compensation for regular and special pay codes is accurate, in order to ensure compliance with state and federal requirements.	With the assistance of the Internal Audit Division, Central Payroll will regularly audit City employees' base pay rates.
1.2	High	BerryDunn recommends that the payroll manager monitor employee compensation rates of the highest and lowest earners and use the findings as a benchmark for evaluating the accuracy of pay rate changes for all employees.	With the assistance of the Internal Audit Division, Central Payroll will monitor review employee compensations rates of the highest and lowest earners on a bi-annual basis.
1.3	Low	BerryDunn recommends Central Payroll periodically review payroll reports from New World and audit for accuracy and completeness. Central Payroll and the Department of Information should clearly define payroll reporting requirements and help ensure that the payroll system is configured to capture and report the necessary data for monitoring and helping to ensure payroll compliance.	The City is aware of the configuration and functionality limitations of its current technology solution, especially as it relates to the system's reporting capabilities. By September 2023, the City will confer with its current payroll system provider to determine if there are reporting and configuration upgrades that can be made. Absent system upgrades by the system vendor, the City will not be able to implement this recommendation.
1.4	Low	BerryDunn recommends that Central Payroll work with its system vendor to identify any available updates or changes to the New World system that would help avoid the risk of having to perform manual or retroactive rate increases.	The City is aware of the configuration and functionality limitations of its current technology solution, especially as it relates to the system's reporting capabilities. By September 2023, the City will confer with its current payroll system provider to determine if there are reporting and configuration upgrades that can be made. Absent system upgrades by the system vendor, the City will not be able to implement this recommendation.
2.1	High	BerryDunn recommends the City establish written policies and procedures for processing employee terminations that are in line with State DOL requirements.	Central Payroll is in the process of cross-training amongst the members of the team and crafting a standardized desk manual to enhance the consistency in payroll processing procedures, including standards related to employee responsibilities and record retention. The anticipated timeframe for the completion of Central Payroll's standardized desk manual is December 2023. By September 2023, Central Payroll will initiate quarterly training for Departmental Payroll Clerks.



<b>2.2</b>	Low	BerryDunn recommends that the City train all staff involved in payroll processing on the record retention policy and each employee's responsibilities related to payroll record retention and disposal.	Central Payroll is in the process of cross-training amongst the members of the team and crafting a standardized desk manual to enhance the consistency in payroll processing procedures, including standards related to employee responsibilities and record retention. The anticipated timeframe for the completion of Central Payroll's standardized desk manual is December 2023. By September 2023, Central Payroll will initiate quarterly training for Departmental Payroll Clerks.
<b>3.1</b>	High	BerryDunn recommends that the City separate the duties of entering and removing employees from New World from Central Payroll's responsibilities. HR should assign the function to an employee who does not approve timecards or process payroll for City employees. We recommend that Central Payroll should also regularly monitor and audit employee information and payroll data to identify terminated employees who are still listed as active in the payroll system	The City is in the process of separating the duties of entering new employees and employee changes in New World from Central Payroll's responsibilities. The timeline for completion of the separation of duties is not yet available. With the assistance of the Internal Audit Division, Central Payroll will regularly monitor and audit employee information and payroll data for terminated employees.
<b>3.2</b>	High	BerryDunn recommends that the City formally adopt a set of payroll procedures that are maintained and updated by the payroll manager to help ensure consistent procedures are being followed by the payroll technicians, payroll clerks, department supervisors/directors, and City employees.	Central Payroll is in the process of cross-training amongst the members of the team and crafting a standardized desk manual to enhance the consistency in payroll processing procedures. The anticipated timeframe for the completion of Central Payroll's standardized desk manual is December 2023. By September 2023, Central Payroll will initiate quarterly training for Departmental Payroll Clerks.
<b>3.3</b>	Medium	BerryDunn recommends that City staff who have a role in processing payroll, including payroll clerks, supervisors and Central Payroll staff, be provided with training on established payroll policies and procedures to help ensure consistent implementation of payroll procedures.	Central Payroll is in the process of cross-training amongst the members of the team and crafting a standardized desk manual to enhance the consistency in payroll processing procedures. The anticipated timeframe for the completion of Central Payroll's standardized desk manual is December 2023. By September 2023, Central Payroll will provide quarterly training for Departmental Payroll Clerks.
<b>4.1</b>	Medium	BerryDunn recommends that the City implement access control policies and procedures to limit employee access to PII to only those with a legitimate need to access it.	The City is aware of the use of PII as the primary source of interface for technology solution integrations. By September 2023, the City will confer with its current payroll system vendor to determine if there is a way to limit end user access to PII without impacting automated integration with other systems currently utilized for payroll processing.
<b>5.1</b>	Low	BerryDunn recommends the Central Payroll and the internal auditor develop and conduct reviews to verify accuracy of special pay codes and help ensure compliance with the CBAs.	The City is aware of the challenges with special pay codes as they are primarily assigned and managed at the Departmental level. With the assistance of the Internal Audit Division, Central Payroll will develop a regular, rotating review of special pay codes.
<b>5.2</b>	Low	BerryDunn recommends that the payroll manager regularly monitor changes made in New World by payroll clerks and the labor relations manager by reviewing the payroll audit reports to determine whether changes made to City employees' pay rates and pay codes were accurate. The payroll manager should use the audit trails in New World to review payroll changes on a quarterly basis to help ensure compliance with City policies and procedures for payroll and state and federal requirements for compensation.	With the assistance of the Internal Audit Division, Central Payroll will monitor changes made in New World by quarterly reviewing audit trails and change reports.

Payroll process based on interview with Central Payroll Technician (2022 process):

**Step 1:** Approve and import department hours from eSuite to NewWorld

**Step 2:** Verify that all hours have been exported from Departmental Hours

**Step 3:** In Centralized Hours verify P&P form changes

**Step 4:** Upload Retroactive pay period adjustments

**Step 5:** Make onetime adjustments or corrections

**Step 6:** Calculate and validate payroll

- Resolve all “not validated” employee issues

**Step 7:** Check Empower, Mission Square, Nationwide for new loans, changes, enrollments

**Step 8:** Run Hours Analysis Report and Hours Exception Report

- Resolve employee issues

**Step 9:** Run Journal Register – Closed Funds Report

- Resolve any employees coded to closed funds – should be blank

**Step 10:** Calculate Longevity pay, holiday hours and code 715 (if applicable)

- Review and verify report

**Step 11:** Calculate accrual hours including sick, vacation, PTO

**Step 12:** Calculate sick incentive

**Step 13:** Calculate FLSA

**Step 14:** Process/enter terminations payouts

**Step 15:** Calculate and validate payroll

**Step 16:** Calculate and upload Deferred Comp Match Medicare Taxable

**Step 17:** Re-check ICMA Loans

**Step 18:** Run payday register

**Step 19:** Run Deductions Not Taken Register

- Review and verify report – recalculate if necessary

**Step 20:** Create payment register

**Step 21:** Create batches

- ACH file – review and verify

- **Positive Pay File – review and verify**

**Step 22:** Send POS PAY and ACH PAY File to Wells Fargo

**Step 23:** Print Pay Day Reports and verify information

- 2<sup>nd</sup> check of month run life & LTD
- Earnings register
- Benefits register
- Deduction register
- Tax summary
- Journal register
- One time processing register
- Deductions not taken register
- Payroll payment register

**Step 24:** Print payroll checks/direct deposit advices (EFT)

**Step 25:** Post payroll pay batch (use pay end date)

**Step 26:** Email DD/Check totals and upload HSA file to US Bank

**Step 27:** Term employees in the system using the P&P form

**Step 28:** PDF all report and save to T: drive

**Step 29:** Send 941 Tax amount to EFTPS

**Step 30:** Post payroll journal

**Step 31:** Process AP checks

Payroll process summarized from payroll clerk interviews (2022 process):

**Step 1:** Send email to employees with reminder to upload time

**Step 2:** Verify employee hours in eSuite or Telestaff

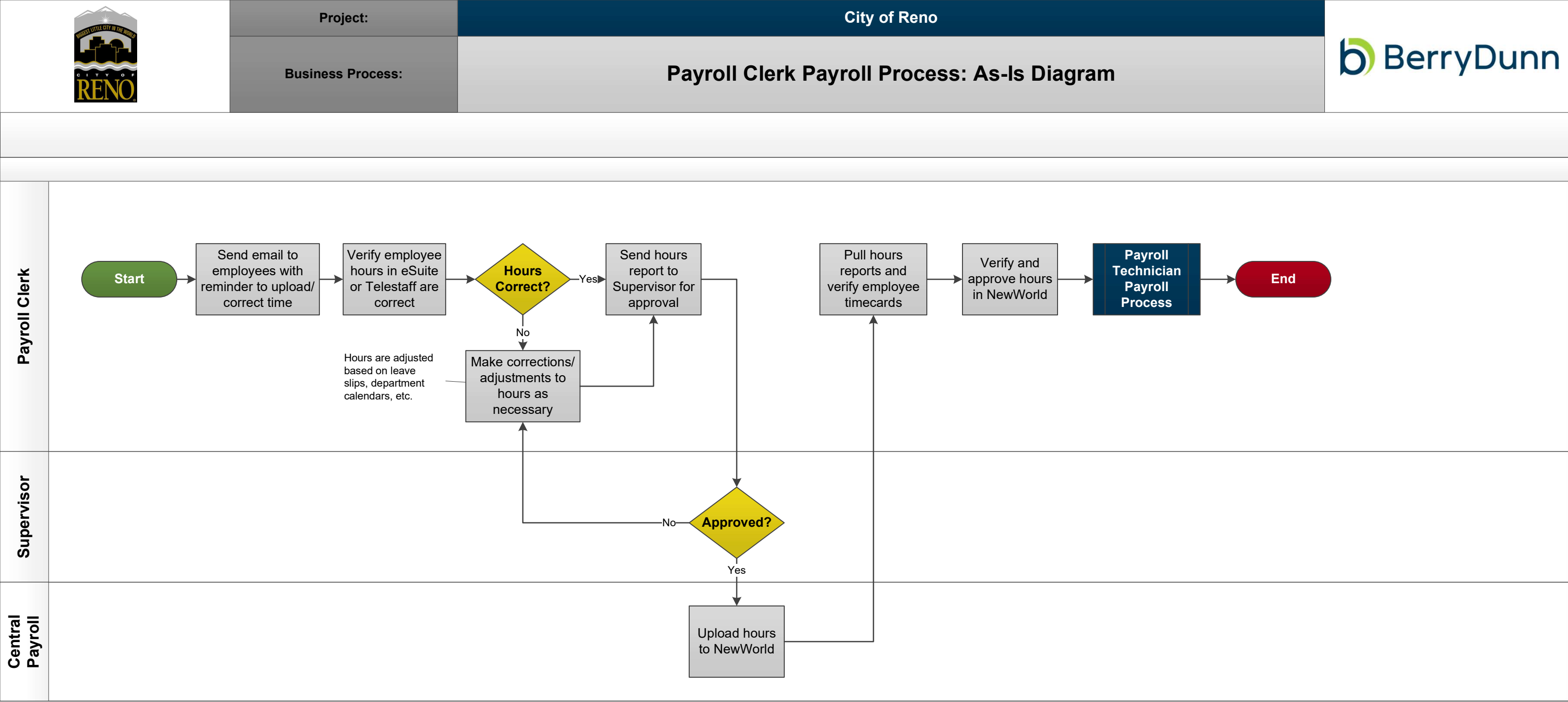
**Step 3:** Make corrections/adjustments to hours as necessary based on leave slips, department calendars, etc.

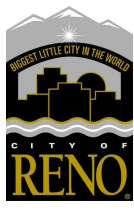
**Step 4:** Send hours report to supervisor for approval

**Step 5:** Once approved by supervisor hours are uploaded to NewWorld by Central Payroll

**Step 6:** Pull hours reports and verify employee timecards

**Step 7:** Verify and approve hours in NewWorld





Project:

City of Reno

Business Process:

## Payroll Technician Payroll Process: As-Is Diagram



Payroll Technician

