

CITY OF BUFFALO COMMON COUNCIL

Independent Accountants' Report
On Applying Agreed-Upon Procedures
Payroll Function

CITY OF BUFFALO COMMON COUNCIL

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Comptroller of
the City of Buffalo, New York

We have performed the procedures enumerated below, which were agreed to by the City of Buffalo (the City) Comptroller (the specified party), solely to assist in evaluating the payroll functions of the City of Buffalo Common Council (the Council) for the 2013-2014 fiscal year. The City of Buffalo management and Councilmembers are responsible for the Council's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

- 1) **Procedures:** We interviewed the Senior Council Clerk, Payroll Audit Principal, Supervisor of Management Information Systems (MIS) Operations, Common Council President and City Auditor and obtained an understanding of the payroll policies and procedures of the Council.

Findings: No exceptions noted. Refer to Appendix A for Common Council payroll process documentation.

- 2) **Procedures:** We obtained and inspected all time summary sheets and time sheets (for interns) submitted by Councilmembers for the period July 1, 2013 to December 13, 2013 to ensure all were completed and signed-off as approved by the appropriate Councilmember.

Findings: We noted one time summary sheet that was not signed-off as approved by a Councilmember.

- 3) **Procedures:** We obtained the Payroll Register for the period July 1, 2013 through December 13, 2013 and reconciled the total payroll to the City's general ledger. From a population of all Councilmembers and their staff, we haphazardly selected 10 individuals from 5 different payroll periods and performed the following procedures for each individual and period selected:

- Obtained and inspected time summary sheets and/or timesheets and determined if they were signed by the appropriate Councilmember.
- Obtained the Timekeepers Payroll Summary Report from the Office of City Clerk and compared the hours worked per the Payroll Summary Report to the hours indicated on the time summary sheets and/or timesheets for each selected individual.
- Ensured the time entry reports, consisting of the Timekeeper Payroll Summary Report, time summary sheets and/or timesheets, were approved and signed-off by the City Clerk or his designee.
- Obtained the Payroll Register and compared the hours worked on the Payroll Summary Report to the hours indicated on the Payroll Register for each selected individual.
- Obtained the Roster Card for each selected individual and agreed the name, position and rate of pay to the Payroll Register for each period selected. Recalculated each selected individual's gross pay.
- Agreed the position and rate of pay on each selected individual's Roster Card to the 2013-2014 City of Buffalo budget. Agreed Councilmembers' compensation to Article 24 of the City Charter.

3) **Findings:** We noted the following exceptions:

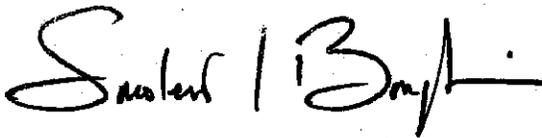
- One employee's time summary was left blank for the pay week of July 26, 2013 and therefore did not agree with the Payroll Summary Report. As a result, we were not able to trace the individual's hours to the Payroll Register.
- One employee's rate of pay did not agree with his Roster Card for all pay periods tested.
- Intern timesheets selected were not signed-off by the City Clerk as approved.

4) **Procedures:** Based on the procedures performed above, we documented noted recommendations with respect to the Council's payroll process.

Findings: No exceptions noted. Refer to Appendix B for the schedule of recommendations.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the Council payroll function or its underlying records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City of Buffalo Comptroller, Department of Audit and Control and Common Councilmembers and is not intended to be and should not be used by anyone other than the specified party.



SMOLEN | BONGHI CPA, P.C.

December 26, 2013

Overall

The City of Buffalo Common Council, the City of Buffalo's legislative branch of government, consists of 9 members who are elected from 9 districts within the City limits for 4-year terms. Councilmembers' compensation is dictated by Article 24 of the City Charter which provides for a maximum annual salary of \$52,000, subject to the following adjustments depending upon position:

- The elected Council president will receive an extra \$10,000 annually.
- The designated Council majority leader will receive an additional \$5,000 annually.
- The designated Council minority leader will receive an additional \$2,500 annually.
- Councilmembers serving as chairman of any of the following committees will receive an additional \$1,000 annually: finance committee, legislation committee, civil service committee, community development committee and claims committee.

The Councilmembers are budgeted a total of 18 legislative employees and 11 interns in accordance with City Charter Article 3-7(L) which limits the total Council staffing level to 37 individuals. Pursuant to the City budget, Councilmembers' staff are permitted annual compensation ranging between \$27,018 and \$46,083 depending on position. These employees serve at the discretion of the Councilmembers and are not covered by a collective bargaining agreement.

Adding/Changing Positions

New hires, promotions and compensation change requests are reported to the Office of City Clerk who requests a Budget and Personnel Amendment from the Division of Budget Office. This is signed by the Commissioner of Administration and Finance and the City Comptroller and filed in the Office of City Clerk for the next Council meeting. Simultaneously, the Office of City Clerk prepares a Personnel Requisition Request (PRR). While waiting for a PRR number from the Division of Budget, the employee commences the approval process which entails: (1) completing an application; (2) proving residence via a valid form of identification plus 2 forms of proof of residency; and (3) a police check. Once the PRR number is obtained from the Division of Budget, the PRR is forwarded to the Payroll Audit Department, along with the Certificate of Appointment (COA) and File Maintenance Form (FM) obtained from the Office of City Clerk. The Payroll Audit Department verifies the COA to the PRR, and will notate the name of the employee onto the PRR. Also, the Payroll Audit Department will verify that proper employment forms were completed and attached, including: Form W-4 (Federal withholding), Form IT-2104 (State withholding), New York State Retirement number (or Waiver Letter), and Form I-9. Once verified, the FM along with Forms W-4 and IT-2104 are forwarded to the input/output section of the MIS Department for data entry where the employee is entered into the MUNIS system along with a scanned copy of their COA. Only the Supervisor of MIS Operations and two Senior Data Processors have the ability to enter new employees in MUNIS. The information is then sent back to the Payroll Audit Department where verification is performed that the data was entered correctly into the MUNIS system, including: position, salary grade and step. Upon the Payroll Audit Department approval, the employee is released in the MUNIS system for processing and an email is automatically generated and sent to the Human Resources Department for confirmation. The employee is then imported into the timekeeping program weekly on Friday afternoon. A COA is filed with the Council and sent to the Office of City Clerk for filing.

General Payroll Processing

In accordance with the City's payroll cycle, Councilmembers and their staff are paid every other Friday on a one week lag. Councilmembers are required to submit their employees' time to the Timekeeper in the Office of City Clerk no later than the Friday preceding the respective pay date. Upon receipt, the Timekeeper will manually enter the information into the timekeeper program, which must be completed no later than noon on the Monday

preceding the pay date. The timekeeper program automatically defaults to an 8-hour workday for each employee. Timekeepers must only adjust this defaulted amount for paid time off (PTO) taken or other situations where a regular day was not worked. Both the Timekeepers' computers and the timekeeper program are password protected with access only available to the Sr. Council Clerks.

There is no standard policy in place over the tracking of Council employee payroll hours or PTO as staff members are not required to complete daily time sheets or PTO request forms. Each Councilmember's office is responsible for determining its own payroll tracking procedures and PTO policies. Weekly time summaries signed by the respective Councilmember are required to be completed for each employee and are forwarded to the Timekeepers. Interns are required to complete daily time sheets which are also signed by the respective Councilmember and forwarded to the Timekeepers for manual entry.

Once the information is entered into the timekeeper program in the Office of City Clerk, the Timekeepers print a Time Summary Report which is compared to the individual time summaries/sheets for accuracy. Upon this verification, the information (including the Time Summary Report, Councilmember summary reports and timesheets) are accumulated and forwarded to the City Clerk who signs off that the payroll information has been entered accurately. The certified payroll package is then forwarded to the Payroll Audit Department for verification.

The Payroll Audit Department runs a Timekeeper Error Report on the timekeeper system and reviews the report for accuracy. All errors are verified and notations are made for any time shortages or overages. The Timekeepers are notified of any required corrections. After all Timekeeper updates are complete, the Payroll Audit Department notifies the MIS Department, and a warrant number is created in the MUNIS System. The MIS Department imports the data from the Timekeeper Program into the MUNIS System and runs a Preliminary Proof of the warrant, closing out the timekeeper program for the respective payroll and preventing further editing to the timekeeper system. The Preliminary Proof is forwarded to the Payroll Audit Department which verifies rates of pay, payroll deductions and the total hours worked to ensure that no employee is paid for more than 80 hours of regular time per period. Additionally, for individuals with less than 80 hours worked, the Payroll Audit Department will verify the data to the error report to ensure no employees are underpaid without a valid reason.

Along with the Preliminary Proof, the MIS Department delivers the following reports to the Payroll Audit Department which are based on the MUNIS payroll data specific to the current payroll warrant: (1) Employees With Negative Balances; (2) Negative Deductions Taken for Warrant Number; (3) Active Employees With No Earnings; (4) Report of Zero Deductions For Warrant Number; (5) Step Report; and (6) General Ledger Reports. The Payroll Audit Department will compare these reports to the detailed Preliminary Proof and take any actions as deemed necessary. Any corrections to the Preliminary Proof are marked with a tab and are forwarded to the MIS Department for correction (as the MIS Department can only make changes to the payroll data once Preliminary Proof is run).

Within the MIS Department only the Supervisor of MIS Operations and two Senior Data Processors have access to payroll data in the MUNIS System. If any changes are made in the MUNIS System for pay grades, steps or adding new employees, a report is produced and forwarded to both the Payroll Audit Department and Human Resources Department for confirmation.

The Payroll Audit Department will notify the MIS Department to run the payroll checks/advices which are delivered to the Payroll Audit Department along with the Final Proof. Additionally, the MIS Department runs payroll employee distributions and the payroll tax filings following the processing of regular pay. The Payroll Audit Department will verify that all corrections made to the Preliminary Proof were accurately inputted on the Final Proof and will complete a Payroll Check Receipt Form which notates the check/advice numbers, the total number of checks/advices, any voided checks, any checks held by audit and/or Civil Service, the number of emailed advices and a total of the checks/advices which are delivered to the Division of Treasury. Checks, advices and the Payroll Check Receipt Form are secured in the Payroll Audit department until picked up by a Treasury Department employee. The Treasury Department is responsible for the distribution of the checks and the handling of direct deposits. The payroll information, including the Time Summary Report, Councilmember summary reports and timesheets are filed in the Office of City Clerk.

Recommendation 1: Evaluate the cost/benefit of a standard automated time entry system

Condition – We noted that payroll hours of Council staff are manually input by the Timekeepers in the Office of City Clerk into the timekeeper program. Such a process is inherently inefficient and creates an increased opportunity for the inaccurate reporting of time worked.

Recommendation – We recommend the City as a whole evaluate the cost/benefit of adopting a standardized automated time entry system whereby employees enter their own time worked via hand scanners, timeclocks or by other means. Such a system would improve efficiency in the payroll process, reduce the risk of data entry errors and minimize the inappropriate recording of hours worked.

Recommendation 2: Formalize a paid time off policy

Condition – We noted there is no formal policy in place dictating the award and tracking of PTO for Council employees. Such decisions are at the discretion of the individual Councilmembers.

Recommendation – We recommend the adoption of a formal policy over the award and tracking of PTO for Councilmember employees in order to standardize these benefits and improve internal control.

Recommendation 3: Formalize a policy for the recording of time worked

Condition – We noted there is no formal policy in place dictating how time worked is tracked among the individual Councilmember offices, except for the completion of bi-weekly summaries provided to the Office of City Clerk. We noted some offices maintained time sheets for state retirement purposes, however, these procedures were solely at the discretion of the individual Councilmembers.

Recommendation – We recommend the adoption of a formal policy requiring the use of daily timesheets for all Councilmember offices in order to standardize the reporting of time worked and improve internal controls over the recording and tracking of payroll time.

Recommendation 4: Eliminate the “banking” of time

Condition – During our inquiries of the individuals noted in Procedure 1, we noted that, in certain instances, staff “banked” overtime hours and subsequently used such time as additional PTO.

Recommendation – We recommend the adoption of a formal policy prohibiting this practice in order to reduce the risk of inappropriate PTO being used by employees.

Recommendation 5: Eliminate the use of Councilmember signature stamps on payroll summary sheets

Condition – We noted that certain Councilmembers were using signature stamps to sign-off and approve time summary sheets and timesheets provided to the Office of City Clerk Timekeeper.

Recommendation – We recommend the adoption of a formal policy requiring actual signatures on Councilmember payroll time summary sheets evidencing their approval of time worked. Such a policy would reduce the risk that inappropriate or inaccurate hours are reported to the Timekeepers.

Recommendation 6: Consistently track regular, holiday and sick time throughout the payroll cycle

Condition – We noted that Council time summary forms and intern timesheets segregate hours worked as regular time, holiday time and/or sick time; however, the timekeeper system only segregates the time worked as regular time and/or sick time, and the payroll register only classifies the time as regular time.

Recommendation – We recommend that time worked be consistently characterized and tracked throughout the entire payroll cycle.

* * * * *

Common Council
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02/10/14

Mark F. Schroeder
Comptroller
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ATTN: Kevin J. Kaufman
City Auditor

I am in receipt of the "Report on the Common Council Payroll Function" as performed by Smolen Bonghi CPA, PC. After reviewing the findings and discussing them with Comptrollers staff we are in agreement with many of the recommendations in the audit, some portions of the recommendations are out of the sole and direct ability of the Council to implement.

The following changes and suggestions will be recommended to my colleagues and following their review and comments will be implemented as per the timeline which follows:

Recommendation # 1). Evaluate the cost/benefit of a standard automated time entry system.

Response: We understand the value in standardization and the cost benefits; however this was suggested as a "City as a whole" recommendation. The Council stands ready to participate in the discussion with the Administration of how such a system may make our system much more efficient.

Recommendation # 2). Formalize a paid time off policy.

Response: There is currently a policy which is listed under Table #1 "Allotted Leave Time For Central Staff Appointees" from the October 2009 Council Staff Audit under previous Comptroller Andy SanFillippo. As discussed these are our guidelines unless a waiver is authorized in writing by the Council Member

Category	Years of Service Completed	Days Per Year
Vacation	Less than 1 year	Pro-Rated
Vacation	1 – 4 years	10 Days
Vacation	5 – 9 years	15 Days
Vacation	10 –14 years	20 Days
Vacation	15+ years	25 Days
Personal	Less than 1 year	Pro-Rated
Personal	Annually	6 Days
Sick	Less than 1 year	Pro-Rated
Sick	Annually	12 Days

Recommendation # 3). Formalize a policy for the recording of time worked;

Response: We will formalize a policy for the recording of time worked by end of First Quarter 2014.

Recommendation # 4). Eliminate the “banking” of time.

Response: We will formalize a policy of banking time.

Recommendation # 5). Eliminate the use of Councilmember signature stamps on payroll summary sheets.

Response: Council signature stamps will be eliminated from use on timesheets.

Recommendation # 6). Consistently track regular, holiday and sick time throughout the payroll cycle.

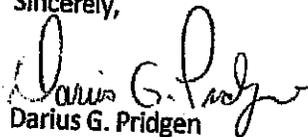
Response: We will implement a tracking system by the First Quarter to track said time above.

Timeline

1. February 10-20th 2014 Councilmembers provided recommendations from the Council President.
2. March 3rd, 2014 – Implementation of solutions to identified problems

On behalf of my colleagues I assure you that as a legislative body, we are committed to strengthening the internal controls associated with the Council’s work time/payroll reporting and monitoring system and look in earnest to putting forth the needed changes to ensure accountability.

Sincerely,



Darius G. Pridgen

Council President &

Ellicott District Council Member