



**Office of Inspector General
City of New Orleans**

**Follow-up Report: Payroll Liabilities Performance Audit
AR14FOL002**

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Follow-up Report: The Payroll Liabilities Performance Audit

Executive Summary	ii
I. Objectives, Scope, and Methodology	1
II. Follow-up: Corrective Actions	2
Follow-up #1	The City implemented this corrective action. The City added nine new positions to the Accounting Department in 2011.
Follow-up #2	The City partially implemented this corrective action. The Payroll Clearing Fund was reconciled in 2013 but not during the scope period of this follow-up, July through September of 2014.
Follow-up #3	The City implemented this corrective action. The risk of discrepancies between paper and electronic records no longer exists.

EXECUTIVE SUMMARY

In 2013 the Office of Inspector General (OIG) issued a report titled “Payroll Liabilities Performance Audit” (2013 Report). The objective of that audit was to evaluate the accuracy of the Payroll Clearing Fund as well as the completeness and accuracy of the annual and sick time accruals.

The 2013 Report documented three findings and one observation, and offered recommendations to the findings. The City of New Orleans (City) accepted the recommendations and provided corrective actions in its original response. The follow-up review found that the City fully implemented two corrective actions, and partially implemented one corrective action.

The City hired nine new accounting employees in 2011 which provided additional staffing to perform reconciliations.

During testing for the 2013 Report, the payroll clearing fund was not reconciled and had outstanding balances dating back to 2005. The Payroll Clearing Fund was also not reconciled monthly during the scope period of this follow-up, July through September of 2014.

Testing during the 2013 Report determined that a net of 758 hours of leave was recorded on paper timesheets but not entered into the electronic payroll system. Under the current ADP payroll system, all time, including leave time, is entered directly into the electronic system which eliminates the need for paper timesheets to be transferred into the electronic system.

I. OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of the follow-up report was to determine if the City implemented its responses (corrective actions) from the 2013 Report. The scope of this follow-up was limited to the City's responses to the three findings in the 2013 report. The scope period was July 1, 2014 to September 30, 2014.

The methodology was developed in accordance with the *Principles and Standards for Offices of Inspector General* (the Green Book),¹ and included the following:

- Interviewed City personnel to gain an understanding of current processes and controls in place;
- Confirmed that the City added nine new positions to the Accounting Department in 2011; and
- Determined if the Payroll Clearing Fund was reconciled.

Computer-processed data was provided and relied upon. A formal reliability assessment of the computer-processed data was not performed. Hard copy documents reviewed supported the information contained in the computer-processed data.

¹ Association of Inspectors General, 2004.

II. FOLLOW-UP: CORRECTIVE ACTIONS

Recommendation #1: “All balance sheet accounts should be reconciled on a regular basis.”²

Corrective Action: *Recommendation Accepted by the City. “...The Landrieu Administration and City Council invested additional funds in the Finance Department, increased the salary structure for the accounting series personnel, and succeeded in recruiting and hiring nine (9) new employees in 2011...”*

Follow-Up to Corrective Action – Finding #1: **The City fully implemented this corrective action. The City added nine new positions to the Accounting Department in 2011 which provided additional staffing to perform reconciliations.**

Recommendation #2: “The finance department should reconcile all balance sheet accounts on a regular basis.”

Corrective Action: *Recommendation Accepted by the City. “...The Payroll Clearing Fund was fully reconciled prior to the completion of this [2013] report...”*

Follow-Up to Corrective Action – Finding #2: **The City partially implemented this corrective action. We noted the Payroll Clearing Fund was reconciled monthly during the fourth quarter of 2013; however, the Payroll Clearing Fund was not reconciled monthly during the third quarter of 2014.**³

Recommendation #3: “Designated employees should verify the time entered into AHRS agrees to the employees’ time records.”

Corrective Action: *Recommendation Accepted by the City. “The City agrees that paper and electronic system payroll records should agree, and that exceptions should be identified and resolved...”*

Follow-Up to Corrective Action – Finding #3: **The City implemented this corrective action. Under the current ADP payroll environment,⁴ paper documentation was eliminated and all payroll records are maintained electronically. Therefore the risk of discrepancies between paper and electronic records no longer exists.**

² Payroll Clearing Fund accounts should be cleared (zeroed out) soon after payroll has been processed.

³ The accounting department indicated, due to the loss of *one* of its employees the reconciliation could not be performed timely.

⁴ ADP was implemented in May 2014.