



City Employee Time and Attendance Reporting

Final Report: December 14, 2023

Edward Michel, CIG

Inspector General



December 14, 2023

Re: City Employee Time and Attendance Reporting

I certify that the inspector general personnel assigned to this project are free of personal or other external impairments to independence.

A handwritten signature in blue ink that reads "Edward Michel".

Edward Michel, CIG
Inspector General

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The New Orleans Office of Inspector General (OIG) conducted an evaluation of City Employee Time and Attendance Reporting. The purpose of the evaluation was to determine whether the City of New Orleans (City) had policies and internal controls to ensure accurate time and attendance reporting for exempt employees, including unclassified, executive-level employees. Further, the OIG sought to determine whether the City had penalties in place for noncompliance with time and attendance policies.

The New Orleans Chief Administrative Office (CAO) is responsible for the daily operations of city government, including establishing time and attendance policies for all City employees.¹ In the last several years, there have been multiple reports in which the attendance of unclassified executive-level employees was questioned, including former members of the Office of Inspector General.² In reviewing City data, the OIG learned that the City spent \$459M on employee compensation in 2021.³ Of this, approximately \$46.4M was spent on exempt (or salaried) employees, who were not required to use a time clock.

An estimated 83 percent (\$38.6M) of the exempt employee compensation went to employees who were also unclassified. Per City Code, unclassified employees included department heads and assistant directors.⁴ In the course of the review, evaluators learned that timecards of many executive-level employees were approved by individuals who lacked knowledge of their work schedules. Further, a survey of HR managers revealed that 41 percent of department heads were authorized to approve their own timecards.

Evaluators also found insufficient internal controls for designating a timecard supervisor in the City's payroll system (ADP).

¹ City Code Sec. 4-302.

² Mike Perlstein, "Disengaged": New Orleans Inspector General Quit Amid Staff Complaints, Absenteeism," Nola.com, November 19, 2020, accessed June 29, 2022, https://www.nola.com/news/politics/article_3bdfcf2e-2aa2-11eb-a6d6-0be6a34c6d59.html; Mike Perlstein and Jessica Williams, "A Look at New Orleans Inspector General Derry Harper's Tenure: Challenges, Productivity Issues," Nola.com, October 20, 2020, accessed June 29, 2022, https://www.nola.com/news/politics/article_8d138174-1ae4-11eb-8f5f-6bf7b3467057.html.

³ City of New Orleans, *2021 Adopted Annual Operating Budget*, (New Orleans: 2020), 66, accessed June 26, 2022, <https://nola.gov/getattachment/Mayor/Budget/City-of-New-Orleans-2021-Adopted-Budget-Book.pdf>. The figure does not include Sewage and Water Board.

⁴ City Code Sec. 8-105.

The evaluation included the following findings:

- The names of former supervisors, some of whom left City employment years prior, were listed in ADP as authorized approvers of timecards.
- The City's time and attendance policy was vague and did not ensure exempt employees actually worked during the pay period, especially those who were also unclassified.
- The City did not have a Payroll Governance Group, as required by CAO Policy Memorandum 72(R).

Based on these findings, the OIG made the following recommendations to the CAO:

- The City should develop standard procedures requiring departments to reassign current employees when their ADP supervisor leaves city employment. Further, the CAO's office should work with ADP administrators to develop queries and reports that allow HR Managers to easily identify all employees who report to a specific supervisor.
- The CAO's office should adopt internal controls consistent with best practice guidelines to monitor and verify the attendance of exempt employees, especially those who are also unclassified.
- The CAO's office should perform routine reviews of all City policies.

In their official response, the City rejected the OIG's recommendation to strengthen internal controls for time and attendance reporting. While the OIG believes that most exempt and executive employees are performing their duties as required, the lack of internal controls has allowed some to exploit the current time and attendance policies in the past. The expenditure for City payroll for 2021 was \$459M, one of the largest budgetary expenditures.⁵ It is therefore imperative that the City adopt mechanisms and policy provisions that reduce opportunities for fraud, waste, and abuse.

⁵ City of New Orleans, *2021 Adopted Annual Operating Budget*, (New Orleans: 2020), 66, accessed June 26, 2022, <https://nola.gov/getattachment/Mayor/Budget/City-of-New-Orleans-2021-Adopted-Budget-Book.pdf>. The figure does not include Sewage and Water Board.

I. OBJECTIVES, SCOPE, AND METHODS

The New Orleans Office of Inspector General (OIG) conducted an evaluation of City employee time and attendance reporting for the period of January 1, 2021 to December 31, 2021. The purpose of the evaluation was to determine whether the City had policies and internal controls to ensure accurate time and attendance reporting for exempt employees, including unclassified, executive-level employees. Further, the OIG sought to determine whether the City had penalties in place for noncompliance with time and attendance policies.

In conducting the evaluation, OIG staff reviewed federal and state laws, ordinances and policies of the City of New Orleans (City), and best practices. In addition, the OIG compared the City's time and attendance policies to those of other jurisdictions.

Pursuant to Section 2-1120(12) and (20) of the Code of the City of New Orleans and Louisiana Revised Statutes 33:9613, evaluators interviewed City employees and reviewed documents obtained from the Chief Administrative Office (CAO), the Civil Service Department, and the Department of Finance. Evaluators also conducted a survey of Human Resources (HR) Managers to determine whether City departments followed timekeeping policies and procedures prescribed in CAO Policy Memorandum No. 72(R), *Payroll Time Keeping Procedures*.

This evaluation was performed in accordance with Principles and Standards for Offices of Inspector General for Inspections, Evaluations, and Reviews.⁶

⁶ Association of Inspectors General, Quality Standards for Inspections, Evaluations, and Reviews by Offices of Inspector General, *Principles and Standards for Offices of Inspector General* (New York: Association of Inspectors General, 2014).

II. INTRODUCTION

The OIG conducted an evaluation of City policies and procedures for employee time and attendance reporting with a special emphasis on the policies, procedures, and internal controls implemented to record the time of exempt (salaried) employees in the unclassified service. In the last several years, there have been multiple reports in which the attendance of unclassified, often executive-level, city employees were questioned, including former members of the Office of Inspector General. The failure of employees to report to work raised questions of not only payroll fraud, but efficiency and effectiveness of operations in City government.

In 2020, local news outlets reported allegations of excessive absences by the City's Inspector General, the executive in charge of holding all other employees and departments accountable. According to news articles, other City officials had difficulty reaching the former Inspector General, Derry Harper, at his office.⁷ There were reports that Mr. Harper resigned under pressure by the City's Ethics Review Board following an internal performance review which showed poor productivity, high staff turnover, and lack of engagement on his part.⁸

Similarly, in 2022, the OIG reported allegations of neglect of duty, misuse of City property, and abuse of office by the former Executive Director of the Juvenile Justice Intervention Center, Dr. Kyshun Webster.⁹ The report revealed that Dr. Webster's excessive absences resulted in inefficient operations and dangerous conditions in the City's juvenile detention facility. Yet, despite concerns about his absenteeism, City officials allowed Dr. Webster to remain in his position.

⁷ Mike Perlstein, "'Disengaged': New Orleans Inspector General Quit Amid Staff Complaints, Absenteeism," Nola.com, November 19, 2020, accessed June 29, 2022, https://www.nola.com/news/politics/article_3bdfcf2e-2aa2-11eb-a6d6-0be6a34c6d59.html.

⁸ Mike Perlstein and Jessica Williams, "A Look at New Orleans Inspector General Derry Harper's Tenure: Challenges, Productivity Issues," Nola.com, October 20, 2020, accessed June 29, 2022, https://www.nola.com/news/politics/article_8d138174-1ae4-11eb-8f5f-6bf7b3467057.html.

⁹ New Orleans Office of Inspector General, *Report of Investigation: Allegations of Neglect of Duty, Misuse of City Property and Abuse of Office by Kyshun Webster, Executive Director, Juvenile Justice Intervention Center*, (New Orleans, 2022), 3, accessed September 11, 2023, https://nolaig.gov/wp-content/uploads/2022/12/ROI-Webster-2022-10-31-Final_Redacted.pdf.

Ultimately, under Dr. Webster’s watch, four juveniles escaped from the detention center. In addition, other facility operations suffered due to missed deadlines, delays in reviewing and approving reports, and delays in hiring.¹⁰

The ability of the City to determine whether personnel accurately reported the times they worked is critical to an assessment of the effectiveness of operations and staffing in City departments. In light of the crucial functions, executive-level employees and department heads carry out, the OIG sought to determine whether the City had mechanisms to assess if unclassified employees’ attendance was sufficient to carry out their duties.

¹⁰ Ibid., 10-11.

III. TIMECARD AUTHORIZATION

The City of New Orleans employed over 4,400 people in 2021, spending approximately \$459M on employee compensation. A critical step in the payroll verification process is timecard approvals. Internal controls for time and attendance reporting ensure employees receive accurate pay and reduce payroll fraud.

The United States Government Accountability Office is an independent agency that works with United States Congress to help the government save money and work more efficiently.¹¹ The Government Accountability Office adopted principles and best practice standards for internal controls, including a principle to “Establish Structure, Responsibility and Authority.”¹² This principle included requirements that “management develops an organizational structure with an understanding of overall responsibilities and assigns these responsibilities in discreet units to enable the organization to operate in an efficient and effective manner...”. The principle also stated “management establishes reporting lines within an organizational structure so that units can communicate the quality information necessary.” Further, “reporting lines are defined at all levels of the organization and provide methods of communication that can flow down, across, up, and around the structure.”¹³

The United States General Accounting Office specifically applied these standards to the time and attendance approval process, stating roles and responsibilities for all employees, supervisors, and timekeepers should be communicated and well-defined. Additionally, agencies should use technology to achieve efficient and effective timekeeping processes.¹⁴

¹¹ “About,” About, United States General Accountability Office, last modified 2023, <https://www.gao.gov/about>.

¹² United States Government Accountability Office, *Standards for Internal Control in the Federal Government* (Washington, D.C.: United States Government Accountability Office, 2014),27.

¹³ *Ibid.*, 28.

¹⁴ United States General Accounting Office, *Maintaining Effective Control over Employee Time and Attendance Reporting* (Washington, D.C.: United State General Accounting Office: Washington, 7.

Finding 1: The names of former supervisors, some of whom left City employment years prior, were listed in ADP as authorized approvers of timecards.

According to CAO Policy Memorandum 72(R), employees were required to record their time, attendance, and any leave taken in the City’s electronic payroll system, ADP, and approve their recorded time and attendance at the end of each pay period.¹⁵ Supervisors were required to complete the approval of timecards by the following Monday.¹⁶ Yet, evaluators learned that, for the purposes of timecard approvals, the “supervisor” was not necessarily the employee’s immediate supervisor or manager in the traditional sense of the word. Instead, the supervisor was the person who was designated and authorized by the department to approve an employee’s timecard during the payroll verification process. However, the City did not have a standard process of updating the responsibility for timecard approvals when a supervisor was terminated.

This issue came to light when OIG evaluators generated a report from ADP listing all employees and their current “supervisor.” When the report was created in December 2021, the City had 4,456 employees, with 848 unique names listed as “supervisors” for these active employees. Evaluators found that 62 of the designated supervisors were no longer employed by the City. Seven of the 62 former supervisors left the City more than five years prior to December 2021. In one instance, the designated supervisor left City employment more than 22 years prior to the December 2021 ADP report. To verify whether this was an ongoing issue, evaluators generated another ADP report for active employees as of May 2023. Evaluators again found 62 designated supervisors who were no longer employed by the City.

After discussions with HR Managers and representatives of the CAO’s office, evaluators learned that some ADP user accounts included increased administrative or universal access to employee timecards. This access allowed those users to approve timecards of employees who were not officially assigned to them. If an employee who was officially designated as a supervisor in ADP was terminated, retired, or otherwise left City employment, department officials did not always reassign the timecards in ADP for which they were responsible to another employee. Rather, someone with an administrative or universal account

¹⁵ CAO Policy Memorandum No. 72(R).

¹⁶ Ibid., 2.

was unofficially tasked with approving the timecards, even though the former supervisor, who may have left City employment years prior, was still listed as the authorized approver.

CAO representatives assured evaluators that, while the names of former employees may still be listed as supervisors in ADP, all access to their ADP accounts was terminated. Further, they stated the finance department was able to verify the identity of the person who actually approved timecards by conducting a payroll audit. However, the lack of clear reporting lines failed to meet the standard for well-defined roles and responsibilities in the timekeeping process, as established by the U.S. General Accounting Office.¹⁷

City departments, who were responsible for hiring and terminations, were also responsible for updating lines of supervision in ADP, thereby designating the authorized approvers of timecards. However, without a uniform policy or guidelines directing departments to transition active employees to new ADP supervisors when their former authorized approver was terminated, departments routinely skirted this responsibility by tasking users who had advanced ADP access with approval of timecards for employees whose time they did not officially supervise.

Representatives from the CAO's office suggested that it was sometimes difficult for some HR Managers to identify which employee was assigned to a particular supervisor because they may manage multiple departments. Therefore, they were not necessarily aware that a terminated employee was the authorized timecard approver for another employee in the department. Additionally, CAO representatives stated that the process of verifying whether a current employee had been previously supervised by the terminated employee would require HR Managers to manually check the line of supervision on each timecard. However, the City's ADP administrator indicated that the City's payroll system had functionality that allowed departments to query ADP and quickly identify all employees who reported to a specific supervisor.

While CAO representatives assured evaluators that the City had tools to audit timecard approvals, the fact that departments were able to circumvent the City's process of formally assigning employees to payroll supervisors exposed a lack of internal controls. This practice also undermined accountability and payroll data

¹⁷ United States General Accounting Office, *Maintaining Effective Control over Time and Attendance Reporting*, 4.

integrity. Finally, the use of administrative or universal accounts to approve timecards where there was no formal assignment as authorized approver increased the potential for payroll fraud.

Recommendation 1: The City should develop standard procedures requiring departments to reassign current employees when their ADP supervisor leaves city employment. Further, the CAO's office should work with ADP administrators to develop queries and reports that allow HR Managers to easily identify all employees who report to a specific supervisor.

As stated above, the City spent \$459M on employee compensation in 2021, approximately 40 percent of the total budget that year. Considering the magnitude of the resources at stake, it is important the City's processes for time and attendance and payroll approvals be efficient, effective, and protected from the risk of fraud.

For this reason, the OIG recommends the City, specifically the Chief Administrative Office, develop standard operating procedures for HR Managers to formally reassign current employees when their supervisor leaves city employment. These procedures should include timelines within which employees must be reassigned. While allowing employees with universal accounts to approve timecards may be necessary in some situations, it should not be a long-term solution.

Representatives from the CAO's office stated that there was no list of all ADP supervisors and that verifying the supervision of employees was a manual and time-consuming process. However, the OIG learned that ADP was able to produce a report of all ADP supervisors for the City. HR Managers could also query the system to produce a list of all employees who reported to those supervisors. As such, the OIG recommends the CAO and HR Managers work with ADP administrators to identify any queries currently existing that could be used for the purpose of efficiently determining and accurately assigning employees to ADP supervisors. Further, the City should work with ADP administrators to investigate whether additional queries can be developed to increase the efficiency of other HR-related operations.

IV. LACK OF INTERNAL CONTROLS

Time and attendance reporting is subject to the Fair Labor Standards Act of 1938 (FLSA), which provided standards of employment for all persons engaged in or affecting interstate commerce, including government employees.¹⁸ A major component of the FLSA was the determination of wage and hour standards. While most employees were paid based on the number of hours worked, the FLSA included exemptions to the minimum and maximum hours provisions for certain categories of workers, including Executive, Administrative, and Professional (EAP) employees.¹⁹ According to the Act, EAP employees were those in executive, administrative, and professional positions earning at least \$684.00 a week in roles related to managing a department, hiring employees, and having direct duties in the daily operations for an employer, or work requiring specialized advanced knowledge.²⁰ Employers were required to pay EAP employees, commonly referred to as exempt, based on their salaries, regardless of the number of hours worked.²¹

In addition to the distinction between exempt and non-exempt employees as identified by the FLSA, the State of Louisiana divided civil service into classified and unclassified employees. Under state law, unclassified employees were elected officials, department heads, assistant and deputy directors or department heads, board members, and employees of the Mayor and the City Attorney.²² The City Civil Service Commission had the authority to create additional positions in the unclassified service if, after review, the duties and responsibilities were inappropriate for a classified employee, the position required significant discretion, and the position was audited on a regular basis by the Civil Service Department.²³

Employee designations as classified/unclassified and exempt/non-exempt were not mutually exclusive. Employees may be classified and exempt (salaried) or classified and non-exempt (hourly). Alternatively, employees may be unclassified and exempt or unclassified and non-exempt. For instance, in December of 2021,

¹⁸ 29 U.S.C. 201, *et seq.*

¹⁹ 29 U.S.C. 206 and 213; 29 C.F.R. §541.100.

²⁰ 29 C.F.R. §541.100; 29 C.F.R. §541.602.

²¹ 29 C.F.R. §541.710.

²² La. Const. art. X, §2; La. R.S. 33:2401.

²³ Civil Service Rule III, Sec. 7.1.

the City employed 874 exempt employees and 3,530 non-exempt employees. Of the exempt employees, 437 were also unclassified. See Figure 1.

Figure 1. City Employment Classifications, December 2021

Employee Designation	Non-Exempt	Exempt	Total
Classified	3,330	437	3,767
Unclassified	200	437	637
Total	3,530	874	4,404

Source: *OIG analysis of ADP data*

Finding 2: The City’s time and attendance policy was vague and did not ensure exempt employees actually worked during the pay period, especially those who were also unclassified.

Time and attendance reporting for City employees was governed by overlapping bodies of law and policies. In addition to the FLSA, state law provided for the establishment of the City Civil Service, presented guidelines for the adoption of Civil Service Rules, and created the classified and unclassified service, as discussed above.²⁴ Finally, the CAO published a policy memorandum detailing the responsibilities of employees and supervisors in reporting time and attendance.²⁵ Upon review of City policies, evaluators found that, while consistent with applicable laws, the policies did not include sufficient internal controls to effectively ensure attendance of exempt employees, especially those who were also unclassified.

Under state law, all City policies related to time and attendance were required to be consistent with time and attendance reporting systems established by the Civil Service Personnel Commission.²⁶ Civil Service Rule X required that appointing officials certify the number of hours employees actually worked and the actual rendering of services.²⁷

²⁴ La. R.S. 33:3395; La. R.S. 33:2401.

²⁵ CAO Policy Memorandum No. 72(R) Sec. IV(C).

²⁶ La. R.S. 33:2400.

²⁷ Civil Service Rule X, Sec. 1.2(b) and (c).

The City’s Chief Administrative Office had the authority to promulgate policies for all City employees, both classified and unclassified.²⁸ The stated purpose of CAO Policy Memorandum 72(R) was to “establish procedures for employees to correctly record and maintain payroll time and attendance in the City’s payroll system.”²⁹ Because the policy applied to all City employees, there was no distinction between classified and unclassified employees. Rather, Policy Memorandum 72(R) discussed the different timekeeping requirements for exempt and non-exempt employees.

According to Policy Memorandum 72(R), hourly employees must enter their time in an “electronic payroll system, biometric clock, web entry, or other approved means,” and approve their time at the end of the pay period.³⁰ Exempt employees, however, were only required to obtain prior approval for leave and record their leave usage. Further, an exempt employee’s approval of their timecard at the end of each pay period confirmed that the employee was “available to work” during the time identified, with the exception of any leave used.³¹ Their approval did not confirm they *actually* worked.

According to the FLSA’s exception to the wage provisions for EAP employees, the City was required to pay exempt employees based on their weekly salary as long as they performed any work at all during the pay period.³² However, federal law allowed employers to deduct from an exempt employee’s salary when the employee was absent for one or more full days.³³ Therefore, CAO policy Memorandum 72(R) was consistent with federal law in regard to the payment of wages for exempt employees who worked during the pay period, absent any leave taken. Yet, for this stipulation to be effective, there must be mechanisms in place to ensure that employees actually worked during the pay period and that leave was properly documented and deducted on timecards. For instance, the OIG’s report on allegations of neglect of duty by Dr. Kyshun Webster found that, while there was documentation to support the use of annual and sick leave for 51 days between January 1, 2020 and April 29, 2022, Dr. Webster only swiped his access

²⁸ City Code Sec. 4-302(5).

²⁹ CAO Policy Memorandum No. 72(R).

³⁰ Ibid., Sec. IV(A).

³¹ Ibid., Sec. IV(B).

³² 29 C.F.R. §541.602.

³³ Ibid.

card to enter the detention facility on 13 days between November 1, 2020 and October 31, 2021.³⁴

While the requirement to clock in and out provided an internal control on time and attendance reporting for non-exempt (or hourly) employees, the only control for exempt employees, who were not required to sign in and out daily, was the supervisor's approval of their timecard.³⁵ For most exempt employees, supervisors were expected to have knowledge of whether the employee worked the times indicated on the timecards. Therefore, the supervisor's timecard approval served as verification the employee actually worked the time indicated.

However, these controls were not as effective for exempt employees who were also unclassified. As detailed above, unclassified employees were generally department heads, assistant directors, and employees of the Mayor and the City Attorney.³⁶ Representatives of the CAO's office shared that implementing controls to ensure attendance of unclassified employees was not a simple task.

Most executive-level employees in these positions, such as department heads, did not have a supervisor or their timecards were approved by individuals who did not have direct knowledge of their work schedules. For example, representatives in the CAO's office were tasked with approving the time of some department heads. Further, a survey of HR Managers indicated that in 41 percent of departments, the department head was authorized to approve his or her own timecard.

CAO representatives stated the expectation that department heads and other unclassified employees must "show up" for work, while not explicitly stated in CAO Policy Memorandum 72(R), should be covered by CAO Policy Memorandum 83, *Standards of Behavior for City Employees*, which required employees to "report for work at the time assigned and remain on duty until the work hours are completed."³⁷ However, this provision in the policy did not appear to contemplate salaried or exempt employees who, according to the FLSA, did not have a specified number of work hours to complete.³⁸ Nevertheless, the Memorandum further

³⁴ New Orleans Office of Inspector General, Report of Investigation: Allegations of Neglect of Duty, Misuse of City Property and Abuse of Office by Kyshun Webster, Executive Director, Juvenile Justice Intervention Center, 2-3.

³⁵ CAO Policy Memorandum No. 72(R).

³⁶ City Code Sec. 8-105.

³⁷ CAO Policy Memorandum No. 83.

³⁸ 29 C.F.R. §541.602.

provided that each employee had a particular job duty, and employees not performing those tasks were found in “neglect of duty.”³⁹

The OIG looked at employee compensation for the year 2021, with special emphasis on unclassified employees. Of the \$459M spent that year, approximately \$46.4M was spent on 637 unclassified employees.⁴⁰ An estimated 83 percent (\$38.6M) of the compensation for unclassified employees was for those who were also exempt, including executive-level employees such as department heads, for which there were very few internal controls on time and attendance. See Figure 2.

Figure 2. 2021 Compensation for Unclassified Employees

Rate of Pay	Unclassified Employees	Percent Unclassified	Annual Compensation	Percent Compensation
Non-exempt (Hourly) ⁴¹	200	31%	\$ 7,816,355	17%
Exempt (Salaried)	437	69%	\$ 38,613,686	83%
Total	637	100%	\$ 46,430,041	100%

Source: OIG analysis of ADP data

Recommendation 2: The CAO’s office should adopt internal controls consistent with best practice guidelines to monitor and verify the attendance of exempt employees, especially those who are also unclassified.

City employees who were exempt under the FLSA provisions were not paid for specified hours worked. It is therefore important for the City to implement controls to determine whether these employees actually worked, and whether leave was appropriately documented. Internal controls for time and attendance that may be sufficient for most low- to mid-level employees are less effective the higher the employee’s position in the chain of management. However, the higher the position the employee held in the City’s organizational structure, the more critical the job they were required to perform. It is crucial that, while it may not

³⁹ CAO Policy Memorandum No. 83, Sec. II(d)(f).

⁴⁰ This figure does not include employees at the Sewerage and Water Board of New Orleans.

⁴¹ City Charter Sec. 8-105. All employees of the Mayor’s Office, the Law Department, employees in offices of elected officials, and certain other positions identified by the code are unclassified. This figure included hourly employees in these offices.

be possible to track the actual hours unclassified exempt employees work, the City should have a mechanism to ensure the employees are reporting to work and performing their job functions.

The U.S. General Accounting Office provided that approval of time and attendance records should be based on personal observation, work output, and time verification. Specifically, approvals should be made by immediate supervisors, or someone most knowledgeable of the time worked by the employee involved.⁴² However, the U.S. Department of Defense (DoD) recognized in its time and attendance policy that some employees, such as department heads, did not have supervisors on site. In such situations, the DoD required agencies to have controls in place to ensure the employee was working, such as making determinations of the reasonableness of the employee's output.⁴³

The DoD also offered attestations and/or verification statements as a mechanism to affirm that any leave used during the pay period had been documented on timecards.⁴⁴ A review of practices implemented by other jurisdictions revealed that the use of attestation clauses has been adopted by multiple state and local governments, including New York State, Jefferson Parish, and the City of Dallas.⁴⁵ Additionally, New York State required executive employees to file a quarterly certification confirming the completion of pre-identified activities within the reporting period.⁴⁶

⁴² United States General Accounting Office, *Maintaining Effective Control Over Employee Time and Attendance Reporting*, 9.

⁴³ United States Department of Defense Financial Management Regulation, *Time and Attendance Summary of Major Changes* (Washington D.C.: United States Department of Defense, 2021), 6.

⁴⁴ *Ibid.*, 10.

⁴⁵ Office of the New York State Comptroller, *New York State Retirement System* (Albany, NY: Office of the New York State Comptroller, 2022), 6; Jefferson Parish Department of Human Resources Management, *Administrative Management Policies*, 27; City of Dallas, *Exempt Employee Time Tracking*, 4.

⁴⁶ Office of the New York State Comptroller, *New York State and Retirement System*, 6-7.

Considering the forgoing, the OIG recommends the City develop provisions with stronger internal controls for unclassified employees. The policy provisions should be consistent with best practice guidelines that recommend timecard approvals be based on a combination of direct observation, work products, or verification. The provisions may also set forth expectations for work attendance, performance measures, and criteria for timecard approval. Finally, the provisions should discuss appropriate documentation of leave time. In creating these new provisions, the City may elect to revise the current Policy Memorandum 72(R) or adopt a new policy specifically related to the governance of unclassified employees.

V. PAYROLL GOVERNANCE GROUP

The Government Accountability Office's *Standards for Internal Control in the Federal Government* provided that oversight bodies should oversee the design, implementation, and operations of the entity's internal control system. The primary purpose of an oversight body was to ensure management and personnel met department strategic goals and obligations.⁴⁷ Best practices recommended departments establish oversight bodies to identify and mitigate risks, solve department deficiencies, and discuss department objectives.⁴⁸

Finding 3: The City did not have a Payroll Governance Group, as required by CAO Policy Memorandum 72(R).

CAO Policy Memorandum 72(R), adopted in 2015, purported to establish a Payroll Governance Group (Group). According to the policy, the Group was supposed to oversee operations of the payroll system, examine requests for changes to the system, and communicate with the system vendor on change orders and system maintenance.⁴⁹ The City's Comptroller was required to chair the Group, with additional representation from the Department of Finance, the Civil Service Department, the CAO's office, and other relevant agencies. Yet, at the time the OIG began this evaluation, the City did not have a formal Payroll Governance Group. Further, discussions with City employees and executives from the required departments revealed that the departments were not aware of this policy provision.

Members of the Finance Department and the CAO's office reported that, although there was no formal Group established, the various City departments conducted business according to the requirements in City policy, with all major decisions receiving input from the Department of Finance, the Civil Service Department, and the CAO's Office. As a result of the OIG's inquiry, the Department of Finance took the initial steps to establish the Group.

⁴⁷ United States Government Accountability Office, *Standards for Internal Control in the Federal Government*, 9, 11.

⁴⁸ *Ibid.*, 26.

⁴⁹ CAO Policy Memorandum No. 72(R).

Recommendation 3: The CAO's office should perform routine reviews of all City policies.

Consistent with best practice guidance regarding institutional oversight, the CAO called for the development of the Payroll Governance Group for the stated purpose of discussing and providing oversight for the very types of issues identified in this report. While members of the departments identified in the Policy met to conduct City business, the meetings were not necessarily for the purposes outlined in CAO Policy Memorandum 72(R).

The OIG is encouraged that the Payroll Governance Group has now been formally instituted. The OIG recommends that members of the CAO's office conduct a review of all City policies to ensure they are still relevant and that practices and protocols in place are consistent with those policies.

VI. CONCLUSION

Best practices recommended well-defined time and attendance policies and procedures to reduce and mitigate the risk of fraud, and ensure departments meet their objectives. Although FLSA provided exemptions for EAP employees, best practices recommended using alternative timekeeping methods. Attestation reports and verification of work performance ensure exempt unclassified employees confirm their attendance and account for leave time used.

Although the CAO established administrative policies and centralized HR functions, opportunities remained to strengthen internal controls and standardized timekeeping processes and procedures. Evaluators found that:

1. Policy Memorandum 72(R) provided timekeeping procedures for all City employees, but there was no standard procedure by which HR Managers updated lines of supervision and timecard authorization;
2. The Policy lacked sufficient controls to ensure exempt unclassified employees worked and accurately reported the use of leave; and
3. The City did not have a Payroll Governance Group, as required by the CAO's policy.

To address these issues, the OIG recommended the CAO's office develop City-wide policies and procedures for timecard authorization. The policies should focus on ensuring the appropriate person has the responsibility to approve timecards. The CAO should also ensure HR managers in all City departments update lines of supervision accurately and timely. City-wide time and attendance policies should address weaknesses in internal controls and establish reporting guidelines for unclassified employees that are consistent with best practices. Lastly, the OIG recommends routine reviews of all CAO policies to ensure they are up to date and practices in place are consistent with those policies.

OFFICIAL COMMENTS FROM CITY OF NEW ORLEANS



(CITY EMPLOYEE TIME AND ATTENDANCE REPORTING AND I&E 22-0003)

MANAGEMENT RESPONSE FORM

PLEASE COMPLETE THIS FORM AND RETURN AS SPECIFIED BELOW. SUPPLY YOUR RESPONSES IN THE SHADED BOXES.

PLEASE INDICATE YOUR AGREEMENT OR DISAGREEMENT WITH EACH OF THE FOLLOWING RECOMMENDATIONS BY SELECTING A RESPONSE FROM THE DROPDOWN BOX. IF YOU REJECT OR PARTIALLY ACCEPT THE RECOMMENDATION, PLEASE EXPLAIN WHY IN THE SPACE PROVIDED, INCLUDING ANY ALTERNATIVE SOLUTIONS TO ADDRESS THE FINDING. PLEASE DEVISE A PLAN FOR IMPLEMENTING THE RECOMMENDATIONS OR SOLVING THE PROBLEMS THAT WERE FOUND. DESCRIBE EACH ACTION YOUR AGENCY WILL TAKE TO IMPLEMENT THE RECOMMENDATION, OR FIX THE PROBLEM, ALONG WITH THE NAME AND CONTACT INFORMATION OF THE PERSON(S) RESPONSIBLE FOR THE ACTION AND THE COMPLETION DATE.

RETURN THIS COMPLETED FORM TO HEATHER BROWNING AT HBROWNING@NOLAOIG.GOV BY NOVEMBER 27, 2023

ENTER NAME HERE: CITY OF NEW ORLEANS TIME AND ATTENDANCE REPORTING

RECOMMENDATION #1 REQUIRING IMMEDIATE ACTION:	RESPONSIBLE PERSON: (NAME AND CONTACT)	RESPONSE CHOICE (SELECT ONE):
1. THE CITY SHOULD DEVELOP STANDARD PROCEDURES REQUIRING DEPARTMENTS TO REASSIGN CURRENT EMPLOYEES WHEN THEIR ADP SUPERVISOR LEAVES CITY EMPLOYMENT. FURTHER, THE CAO'S OFFICE SHOULD WORK WITH ADP ADMINISTRATORS TO DEVELOP QUERIES AND REPORTS THAT ALLOW HR MANAGERS TO EASILY IDENTIFY ALL EMPLOYEES WHO REPORT TO A SPECIFIC SUPERVISOR.		ACCEPT
IF YOU <u>REJECT</u> OR <u>PARTIALLY ACCEPT</u> RECOMMENDATION #1, PLEASE EXPLAIN WHY OR PROPOSE AN ALTERNATE SOLUTION:		
DESCRIBE THE ACTIONS YOU WILL TAKE TO IMPLEMENT RECOMMENDATION #1 OR FIX THE PROBLEM:	RESPONSIBLE PERSON:	COMPLETION DATE:
1.1 THE PAYROLL GOVERNANCE GROUP WILL CONDUCT PERIODIC AUDITS ON THE STATUS OF ASSIGNED PAYROLL SUPERVISORS TO ENSURE DEPARTMENTS ARE UPDATING THE FIELDS ACCORDINGLY.	PAYROLL GOVERNANCE GROUP	INDEFINITE
1.2 TRAINING WILL BE INCREASED TO ENSURE DEPARTMENT REPRESENTATIVES ARE WELL-EQUIPPED TO MAKE THE NECESSARY SYSTEM UPDATES.	PERSONNEL AND TRAINING TEAM	INDEFINITE

RECOMMENDATION #2 REQUIRING IMMEDIATE ACTION:	RESPONSIBLE PERSON: (NAME AND CONTACT)	RESPONSE CHOICE (SELECT ONE):
2. THE CAO'S OFFICE SHOULD ADOPT INTERNAL CONTROLS CONSISTENT WITH BEST PRACTICE GUIDELINES TO MONITOR AND VERIFY THE ATTENDANCE OF EXEMPT EMPLOYEES, ESPECIALLY THOSE WHO WERE ALSO UNCLASSIFIED.		REJECT
<p>IF YOU REJECT OR PARTIALLY ACCEPT RECOMMENDATION #2, PLEASE EXPLAIN WHY OR PROPOSE AN ALTERNATE SOLUTION: CAO POLICY MEMORANDUM NO. 72 (R), PAYROLL AND TIME KEEPING PROCEDURES, STATES: "EACH EAP EMPLOYEE MUST APPROVE TIME AND ATTENDANCE AT THE END OF EACH PAY PERIOD" AND "APPOINTING AUTHORITIES MUST ENSURE ALL SUPERVISOR APPROVALS ARE COMPLETED BY 10 AM MONDAY FOLLOWING THE END OF A PAY PERIOD". CIVIL SERVICE RULE X, SECTION 1.2 (B) STATES: "THE APPOINTING AUTHORITY SHALL CERTIFY ON THE APPROPRIATE PERSONNEL OR PAYROLL RECORD THE ACTUAL RENDERING OF SERVICE IN THAT POSITION". FURTHER, THE JANUARY 12, 1951, MOTION FROM MAYOR MORRISON STATES: "ALL FULL-TIME EMPLOYEES OF THE CITY OF NEW ORLEANS, WHO ARE IN THE UNCLASSIFIED SERVICE, SHALL BE GOVERNED BY THE SAME RULES AND REGULATIONS PERTAINING TO HOURS OF WORK, VACATIONS, HOLIDAYS, ATTENDANCE REGULATIONS, LEAVES OF ABSENCE AND ANNUAL, SICK, SPECIAL LEAVE, AND ACCUMULATED LEAVE ACCRUED AT THE TERMINATION OF EMPLOYMENT" AS EMPLOYEES IN THE CLASSIFIED SERVICE IN THE CITY OF NEW ORLEANS. AS REFLECTED, THERE ARE CURRENTLY BOTH RULES AND POLICIES IN PLACE TO GOVERN THE SERVICES RENDERED BY EXEMPT EMPLOYEES. EMPLOYEE AND SUPERVISOR APPROVALS ARE CERTIFICATIONS/ATTESTATIONS OF SERVICES RENDERED.</p>		
DESCRIBE THE ACTIONS YOU WILL TAKE TO IMPLEMENT RECOMMENDATION #2 OR FIX THE PROBLEM:	RESPONSIBLE PERSON:	COMPLETION DATE:
2.1		
2.2		
2.3		
2.4		
2.5		

RECOMMENDATION #3 REQUIRING IMMEDIATE ACTION:	RESPONSIBLE PERSON: (NAME AND CONTACT)	RESPONSE CHOICE (SELECT ONE):
3. THE CAO'S OFFICE SHOULD PERFORM ROUTINE REVIEWS OF ALL CITY POLICIES.		REJECT
<p>IF YOU REJECT OR PARTIALLY ACCEPT RECOMMENDATION #3, PLEASE EXPLAIN WHY OR PROPOSE AN ALTERNATE SOLUTION: FINDING 3 HIGHLIGHTS THAT THE PAYROLL GOVERNANCE GROUP HAS NOT BEEN FORMALLY MEETING, WHICH IS A SPECIFIC ISSUE WITH THE IMPLEMENTATION OF CAO POLICY 72(R). ON THE OTHER HAND, CAO POLICIES ARE CONTINUOUSLY REVIEWED, UPDATED, AND DISTRIBUTED. ALL EMPLOYEES ARE RESPONSIBLE FOR KNOWING AND ADHERING TO APPLICABLE POLICIES AND PROCEDURES, AND THE CAO ROUTINELY REVISES AND REISSUES POLICIES WHEN ISSUES WITH THOSE POLICIES ARISE.</p>		
DESCRIBE THE ACTIONS YOU WILL TAKE TO IMPLEMENT RECOMMENDATION #3 OR FIX THE PROBLEM:	RESPONSIBLE PERSON:	COMPLETION DATE:
3.1		
3.2		
3.3		
3.4		
3.5		