



## Memorandum

TO: Rebecca Strisko, Deputy Internal Services Director – HR  
FROM: Bill Greene, City Auditor (X8982)  
CC: Andrew Ching, City Manager  
Steven Methvin, Deputy City Manager, Chief Operating Officer  
Ken Jones, Deputy City Manager, Chief Financial Officer  
DATE: March 29, 2021  
SUBJECT: LIMITED REVIEW: Specialty Pay and Temporary Employment

### **Purpose**

At the request of the Deputy Internal Services Director – HR, we conducted limited reviews in the following areas for the purpose of suggesting potential improvements to internal controls:

1. Special Assignment Pay and Temporary Detail Pay (Specialty Pay): We focused on controls related to City policy which limits the length of time employees can earn this pay, the amount of specialty pay they can receive, and proper categorization of pay type.
2. Temporary Employment: Controls associated with the hiring process; compliance with the policy limiting the length of temporary employment; concerns related to the Timeclock system used primarily in the Community Services Department.

### **Background**

As part of our annual audit planning process, the City Auditor meets with senior management to discuss emerging risks and areas of concern. Limited Reviews were included as a new component of our FY 20/21 Annual Audit Plan to address some of the concerns raised by management and expand Citywide audit coverage. To conserve audit resources, these reviews are planned and executed using a targeted approach to address specific risks rather than a full-scope audit.

### **Scope and Methods**

The objective of this consulting engagement was to review concerns brought to our attention by Human Resources and identify additional controls to be considered by management. The work performed does not constitute an audit in accordance with

*Government Auditing Standards*. An audit would have required additional steps such as the substantive testing of relevant internal controls, validation of data and information provided to IAO, and additional engagement file documentation.

We employed the following methods to complete this engagement:

- Reviewed data related to the employees receiving specialty pay and who are classified as temporary;
- Reviewed existing policies and procedures;
- Identified existing relevant internal controls;
- Interviewed HR staff

## Results

### 1. Specialty Pay

#### City Policies:

We identified the following relevant City policies:

- Special Assignment Pay (SAP) (Personnel Rule 104I):  
The personnel rules allow employees to be temporarily assigned to work outside their normal job duties and responsibilities. Assignments are limited to six months with Internal Services Director approval required for extensions. Employees receive 5-10% of their base pay. Any amount exceeding 10% requires Internal Services Director approval.
- Temporary Detail Pay (TD) (Personnel Rule 104H/HR Guideline):  
Employees can be temporarily assigned to a vacant position with a higher salary. Short-term temporary detail pay may last up to two pay periods and can be granted using the normal timekeeping process. Long-term temporary detail pay requires a Personnel Action Request (PAR) form be processed. Temporary detail pay is limited to six months, with extensions requiring Internal Services Director approval. Pay can be 5-10% above the employees' salary or the employee may be paid at the minimum of the range for the temporary position if the minimum exceeds 10%.

#### Review of Existing Conditions:

To assess existing conditions, we reviewed data from HRMS provided to us by HR staff. This data demonstrated the following characteristics related to specialty pay and compliance with existing policies:

- Special Assignment Pay:
  - 58 total instances of SAP pay used since 7/1/2019
  - 42 instances where the SAP exceeded 6 months; 12 did not have documented IS Director approval to extend (29%)
  - 9 instances where SAP pay exceeded 10%; 2 did not have

- documented IS Director approval (22%)
  - 15 instances in the Police Department where SAP was less than 5%; all 15 amounts were in accordance with the TOA's MOU which set rate for the specific duties at 3%
- Temporary Detail Pay:
  - Short Term:
    - 183 instances reviewed since 7/1/2019
    - 14 instances of TD on the timesheet of greater than 2 pay periods. Should have had a Personnel Action Request (PAR) completed and HR approval per the guideline (8%)
  - Long Term:
    - 70 total instances reviewed since 7/1/2019
    - 7 instances that exceeded 6 months - 5 approved at IS Director level or above, 2 no approval found
    - 2 instances found where TD pay was below the 5% threshold - both were accepted due to staff only performing partial duties during their temporary detail

Existing Controls:

1. Personnel rules govern SAP and TD and establish definitions, approvals requirements, and limits.
2. HR reviews and approves all PAR forms for SAP and TD. If pay rate exceeds the limits stated in Personnel Rules, HR can refuse to approve. Sr. HR Analysts are reviewing PARs to ensure the work being performed is within the definition of SAP or TD.
3. Beginning in April 2020, HR started tracking TD and SAP to ensure compliance with Personnel Rules. Exceptions are addressed with departments when identified.

Additional Controls to Consider:

1. Enforce Personnel Rules 104 H and I requiring Internal Services Director approval of TD and SAP pay exceeding six months.
2. Create a form for the IS Director to document approval of SAP or TD in excess of 6 months and a procedure for where this form should be maintained. A form provides more consistency than relying on email as done currently. Forms could be attached to the PAR or filed in the employees' file in HR and their department in case they are needed to demonstrate approval at a later date.
3. In the "memo" field of the PAR, require a justification section for special assignment pay stating how the special assignment is outside the employees' job duties and responsibilities as detailed in their job description.
4. Periodically run a query on TD entered on timesheets to identify employees with TD recorded on two pay periods and require a PAR be processed if planned TD is to exceed the two pay periods.

## 2. Temporary Employment

### Relevant City Policies:

There are no written policies to guide hiring supervisors on appropriate processes for advertising, applications, interviewing, or on-boarding temp employees. Departments may establish their own processes. HR Analysts will assist if they are contacted by the department.

Personnel Rule 104G states that temporary employment is not to exceed 24 months unless approved by the Internal Services Director. Longer temporary employment is restricted to positions requiring a considerable period of training and preparation, where a change of personnel would have an adverse effect on the program, or those funded by non-City money, for example, grants.

### Review of Existing Conditions:

To assess existing conditions, we reviewed data from HRMS provided by HR. This data demonstrated the following characteristics related to temporary employees:

- 987 total temps were categorized as “active” in HRMS as of 1/4/2021 (449 are seasonal)
- 318 temps were paid on the 12/20/2020 pay date
- 474 instances where it has been over two years since last hire date (251 are seasonal). These instances may be violations of City policy; however, we did not have time necessary to determine if the IS Director approved any of these extensions over two years.

### Existing Controls:

1. Hiring:  
No centralized controls were identified.
2. Length of Temp Employment:  
When on-boarded, temporary employees sign a form acknowledging that their employment is limited to two years.

### Additional Controls to Consider:

1. During our review, the Deputy Internal Services Director – HR outlined a plan to improve controls over temporary employees. HR should work with departments to develop reasonable controls and guidelines.
2. Assign responsibility to an HR staff member to periodically track temp employees and notify departments when they are close to the two-year limit (for non-seasonal temps). For those temps already exceeding two years, determine if proper approvals have been obtained. If not approved, the IS Director should determine, in consultation with the appropriate Department Manager, whether employment should continue.
3. Develop a form and/or process for documenting approval for temps to exceed two years and a procedure for where this form should be maintained.

### **3. Time Clock System**

The Time Clock system is an application used to schedule and record hours worked for temporary employees primarily in Community Services.

#### Primary Concerns Addressed:

- Supervisors can set initial pay rate and adjust pay rates as needed
- Timeclock system overrides the pay rate in HRMS
- Sick leave is paid at the rate in HRMS, not the actual rate the employee should be paid based on the job they were scheduled to perform

#### Review of Exiting Conditions:

IAO surveyed six areas of Community Services that use the Time Clock system and consulted with City Payroll staff. We noted the following:

- Of the six areas in Community Services, all assign a designated person who can establish pay rates in Time Clock as well as one or two backup employees. Five of the six areas reported that the pay rate is either minimum wage or there is a pay scale based on qualifications and experience. Only one area stated they need to work on a consistent pay plan. All areas indicated that in situations where staff works more than one job with differing rates, the supervisors and/or timekeepers are responsible for reviewing reports to ensure the employee clocked in to the correct job code based on their scheduled job type.
- Time Clock does override the rate in HRMS. HRMS only accepts one pay rate per employee and some temps work multiple jobs with different rates.
- IAO confirmed with Payroll that sick leave for temps is paid at the rate in Time Clock, not the rate in PeopleSoft, so temps should be paid sick leave at the rate for the job they were scheduled to perform. This is no longer a concern.

#### Additional Controls to Consider:

1. As a part of HR's plan to improve controls over the temporary employment process (mentioned in Section 2 above), we recommend that the following items be considered:
  - Develop a plan to establish a city-wide temporary employee job title series and pay scale.
  - Work with IT to develop options to address HRMS's ability to accept a single pay rate for employees who work more than one job type.