



FAMILIES, PARKS AND RECREATION'S
AFTER-SCHOOL ALL-STARS PROGRAM
LIMITED REVIEW

Exit Conference Date: August 20, 2003

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Report No. 03 - 16

CITY OF ORLANDO

OFFICE OF AUDIT AND EVALUATION

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CITY OF ORLANDO

MEMORANDUM

To: Byron W. Brooks, Families, Parks and Recreation Director

From: Beryl H. Davis, CPA, CGFM, Audit and Evaluation Director

Date: Exit Conference: August 20, 2003; Report Issued: September 3, 2003

Subject: Families, Parks and Recreation's After-School All-Stars Program Limited Review (Audit Report No. 03-16)

As a result of an audit "hotline" call and at your request, the Office of Audit and Evaluation has performed a review into allegations made by a former employee of the Recreation Bureau regarding improprieties in the After-School All-Stars Program (formerly known as the Primetime Program). The After-School All-Stars Program is a before- and after-school recreation program held at all of the middle schools located in the City of Orlando. During the summer this program expands into an all-day program.

We limited our review to the matters reported in the "hotline" call which included allegations regarding the falsification of time and attendance records, including efforts to avoid the payment of overtime; and the lack of control over spending for the games, toys and other recreation materials supplied to each program site. Our review disclosed that the payroll practices of the program can be improved to ensure the payroll records are accurate, timely prepared and properly reviewed and approved by recreation management. Our review included interviews of employees assigned to the After-School All-Stars Program and we were not informed of any cases where these employees were not paid for hours worked. In addition, our review of expenditure history indicated a need for additional oversight of the expenditures made by the After-School All-Stars Program.

Our examination was conducted in accordance with generally accepted government auditing standards and included a review of City Policies & Procedures, program procedures, inquiries of City officials and staff, testing of Simplex time and attendance system records, and such other auditing procedures as we considered necessary.

We would like to express our appreciation to the employees of the Families, Parks and Recreation Department for their courtesy and cooperation during this audit.

BHD/am

c: Honorable Buddy Dyer, Mayor
David K. Dix, Chief of Staff
Robert R. Garner, Management, Budget and Accounting Director
Lisa K. McCoy, Inner City Games Executive Director
Gregory A. Hawn, Recreation Program Coordinator

BACKGROUND / INTRODUCTION

The After-School All-Stars is a program offered through the Inner City Games section of the Families, Parks and Recreation Department. Formerly known as the Primetime Program, the program is a before- and after-school program for middle school teens held at all seven middle schools (Carver, Howard, Robert E. Lee, Stonewall Jackson, Odyssey, Memorial and Blankner) located within the city limits of Orlando. This partnership between the City of Orlando and Orange County Public Schools focuses on reducing juvenile crime, keeping kids away from drugs and violence, improving school attendance and academic performance, providing supervised and structured activities, and encouraging school and community pride.

We received an audit “hotline” call in which a former employee of the program alleged that the payroll processing and certain expenditures of the program were not properly controlled. We reported the details of the allegations to the Families, Parks and Recreation Director and the Recreation Bureau Chief and we were requested to initiate a review into the allegations. We primarily interviewed the manager assigned to the former Primetime Program and reviewed selected payroll information and supplies transactions made by the program.

We began our review of the allegations made regarding payroll and spending practices within the After-School All-Stars Program by determining the method used by Seasonal employees in the program for recording their time worked. Our review also included interviews with both Seasonal and full-time employees and managers of the program. We also examined selected timekeeping and spending records of the After-School All-Stars Program maintained on the City’s time and attendance software program, Simplex, and accounting and general ledger program, JD Edwards OneWorld.

The Seasonal employees who work in the After-School All-Stars Program are required to record their time worked by using automated time clocks located at each of the seven middle schools. The employee’s time worked is recorded by swiping an assigned City badge through a Simplex “time clock” at each program location. Each employee receives training on how to use the assigned badge to swipe “in” and “out” to record time worked.

We also reviewed the expenditures of the After-School All-Stars Program for any noteworthy patterns. This report makes several recommendations for improving internal controls over the payroll and expenditures practices of the program. We believe these recommendations can be used to improve the practices of other programs and services within the Families, Parks and Recreation Department should similar deficiencies exist.

SUMMARY OF RECOMMENDATIONS AND RESPONSES

RECOMMENDATIONS	RESPONSES
1. The Inner City Games Executive Director should enforce the current policy that Seasonal employees must clock in and out for their shifts daily using their City issued employee name badges, including lunch breaks.	Concur
2. The Inner City Games Executive Director should evaluate the location of the time clock at each school to determine whether the location is conveniently located in order to properly facilitate the clocking in and out of employees.	Concur
3. The Inner City Games Executive Director should require written documentation for all payroll adjustments and the documentation should be kept in a central location in the program office.	Concur
4. The Families, Parks and Recreation Director should institute a policy to formally re-assign employees from the After-School All-Stars Program that perform duties for other bureau programs for an extended period of time to avoid the need to enter payroll adjustments for these employees.	Concur
5. The Inner City Games Executive Director should prepare written internal policies and procedures indicating the necessary documentation for payroll adjustments, the individuals authorized to make such adjustments and the review processes necessary to ensure payroll accuracy.	Concur
6. The Inner City Games Executive Director should follow City Policy and Procedure 412.1 requiring employees to certify all hours worked are accurately reported by ensuring that employees sign a summary report of hours worked from the Simplex system.	Concur
7. The Families, Parks and Recreation Director should consult with staff of the Payroll section of the Management, Budget and Accounting Department to determine how the new payroll system can be utilized to allow employees to certify their time at the time clock.	Concur

RECOMMENDATIONS

RESPONSES

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| 8. The Families, Parks and Recreation Director should establish a written procedure that when temporary pay rate changes are required, the change is entered by one individual and then reviewed by the affected program manager. | Concur |
| 9. The Families, Parks and Recreation Director should continue efforts to create a centralized payroll position (or function) to track and monitor the payroll processes of the department. | Concur |
| 10. The Families, Parks and Recreation Director should continue efforts to have the newly assigned Fiscal Manager monitor and review the expenditures of the recreation programs for reasonableness and proper authorization, including those of the After-School All-Stars Program. | Concur |

ISSUES AND RECOMMENDATIONS

During our audit, we identified certain procedures and management practices that could be improved. Our audit was not designed or intended to be a detailed study of every system, procedure, or transaction. Accordingly, the findings and recommendations presented in this report should not be considered as all-inclusive of areas where improvements may be needed.

Objectives Determine if the allegations made in the audit “hotline” call regarding: 1) the falsification of records to avoid the payment of overtime and 2) an effort to over-spend on toys, games and other recreational materials can be factually verified.

Scope Payroll transactions over the past fiscal years (October 2002 to July 2003) and supplies transactions from October 2000 to July 2003). Expenditure transactions for fiscal years 2001, 2002 and 2003 (to date).

Methodology Employee interviews and analysis of payroll and supplies transactions in the Simplex time and attendance and JDE general ledger systems.

Time and Attendance Controls Need to be Improved and Enforced

We selected 20 “payrolls” (i.e., one bi-weekly payroll record of selected Seasonal employees assigned to the After-School All-Stars Program) and found that 12 or 60% of these records were adjusted or altered by the former Primetime Program Manager or his designee prior to finalizing and approving the payroll in the Simplex time and attendance system. These adjustments included adding, changing or deleting punches, changing the program of the employee to the section or area where the employee was assigned for the pay period, adding a lunch period, and others. We found that in these 20 payrolls, the former Primetime Program Manager or his designees made 211 adjustments of these varying types.

The Primetime Employee Handbook states “All employees must swipe in and out for their shift daily by using their City issued employee name badge.” The Primetime Program’s handbook is an effective tool to establish uniform guidelines and regulations to govern the use of time clocks; however, the large number of adjustments identified on the Seasonal employees time cards we reviewed suggest problems in this area. The former Primetime Program Manager said that adjustments are necessary for employees that leave their name badge at home, miss punches, damage their name badge, or because of problems with access to the time clock at some facilities. We acknowledge the need for managers to make adjustments for these instances, but we emphasize that proper documentation should be created that explains the need for the adjustment and shows that both the employee and the supervisor agree to the adjustment.

We found that the After-School All-Stars Program has a practice of requiring employees that need to add, delete or change a “punch” to submit a signed “Time Clock Correction Request” form or, alternatively, have their site supervisor send an email to the program manager explaining the need for a change. The form is submitted to a site supervisor for review and it is faxed to the program manager to perform a payroll adjustment in the Simplex system. While this practice is an effective internal control, we found that it is not utilized in all cases of payroll

adjustments made to the Simplex records of the Seasonal employees.

Of the 211 payroll adjustments found within the 20 “payrolls” selected for review, 130 (or 62%) were not properly documented by the use of the “Time Clock Correction Request” form or an email. During our review of this area we also learned that, on occasion, the former Primetime Program Manager would make payroll adjustments based on verbal requests but we noted that he did not document the receipt of such verbal requests.

The majority of payroll adjustments (138 of the 211, or 65%) were to add, delete or change punch times; 43 (or 20%) were to add a lunch break for the employees; 21 (or 10%) were to change the program assignment for the employee; and 9 (or 4%) were to add a leave category (floating holiday, personal leave, etc.) to the employee’s time record.

We were informed by the former Primetime Program Manager that he did not require a “Time Clock Correction Request” form for authorizing lunch breaks or changes in the employee’s program assignment. We were told by the Payroll section of the Management, Budget and Accounting Department (MBA) that adjustments should not be made by managers for employee lunch breaks and that the employee’s Simplex record should either be changed to “default” to include a lunch break or that the employee should be required to punch out for the lunch period.

The former Primetime Program Manager also informed us that many of the payroll adjustments are necessary due to the location of the time clocks at each program location (i.e., the City’s middle schools). He explained that in some cases, the time clocks are not located in the same building as the majority of program activities. In these instances, the employees may miss punches or need to alter punches because they are delayed in getting to the time clock location by program participants, parents or school administrators, or for other reasons.

The changes in program assignments are performed when

employees regularly assigned to the After-School All-Stars Program temporarily work in other Recreation Bureau programs (e.g., Aquatics, Athletics, etc.) during the summer when school is not in session. While we understand the need for these adjustments, we could not review any documentation authorizing the adjustments and we suggest that the bureau either require such documentation in the future or request the Payroll section to transfer these employees to the programs for which they have been assigned for the summer.

While reviewing the time card adjustments, we were informed that some records that document the need for payroll adjustments may have been retained by a former Seasonal employee who assisted the program by performing the duties of an office manager who had been recently dismissed. We were informed that an effort was made to recover these documents, but after reviewing the matter with the Payroll section, a management decision was made to not recover these documents. We suggest that the bureau ensure that all payroll-related files are maintained by the Inner City Games Executive Director, who is now responsible for the After-School All-Stars Program and is currently the manager chiefly accountable for the accuracy of the payroll records of the program. A centralized filing system could increase accountability over the payroll records; keep all related payroll documents together; reduce the possibility of duplication of payroll adjustments; and improve security of payroll records.

Finally, we learned during the course of this review that the former Primetime Program Manager received a written reprimand for failure to comply with the established work practices of the bureau in the area of payroll processing in October 2002. This reprimand was made because the manager allowed an employee who was mistakenly overpaid to work “off the clock” to make up for the overpayment rather than processing an “Adjustment Pay Request Form” with the Payroll section to formally adjust the overpayment made to the employee.

The above conditions indicate a need for improvement in the payroll processing procedures of the After-School All-Stars Program. We recommend that Families, Parks and Recreation Department management emphasize to the employees of the program the importance of properly clocking in and out each day, including for lunch, and completing the forms necessary to document payroll adjustments. In addition, the Inner City Games Executive Director should be instructed to review the location of the Simplex time clocks and determine if they can be relocated to areas more convenient to the employees. Finally, the bureau should formally re-assign employees that have changed job duties for an extended period of time.

Recommendation 1. We recommend that the Inner City Games Executive Director enforce the current policy that Seasonal employees must clock in and out for their shifts daily using their City issued employee name badges, including lunch breaks.

Response Concur. This recommendation is implemented, effective August 11, 2003.

Recommendation 2. We recommend that the Inner City Games Executive Director evaluate the location of the time clock at each school to determine whether the location is conveniently located in order to properly facilitate the clocking in and out of employees.

Response Concur. This recommendation is implemented, effective August 11, 2003.

Recommendation 3. We recommend that the Inner City Games Executive Director require written documentation for all payroll adjustments and that the documentation be kept in a central location in the program office.

Response Concur. This recommendation is implemented, effective August 11, 2003.

Recommendation 4. We recommend that the Families, Parks and Recreation Director institute a policy to formally re-assign employees from the After-School All-Stars Program that perform duties for

other bureau programs for an extended period of time to avoid the need to enter payroll adjustments for these employees.

Response

Concur. Planned for Implementation in September 2003. Forms exist to re-assign employees and are currently being used. Policy is being drafted to formalize this procedure.

**Payroll
Adjustment
Procedures Need
to be Established**

During our review, we learned that there are no written internal policies and procedures governing the review and approval of payroll adjustments within the After-School All-Stars Program. We were informed that the adjustments made by the former Primetime Program Manager and his designees were made after their review of the individual employees' timesheets and through the use of a form developed for this purpose. However the program has not established the conditions for making adjustments and the controls needed to ensure the proper authorization of these adjustments. We believe that documenting these procedures would benefit recreation management's oversight of this area and inform the Seasonal employees affected. Such policies and procedures should be prepared to set forth how to perform such tasks as making adjustments to employee time records and who is responsible for reviewing and authorizing the payroll adjustments.

Written internal procedures can help ensure that staff will carry out the directives of management and that executive management will review such directives to determine their need and usefulness. We feel that developing policies in this area would also assist the program manager to be compliant with applicable payroll laws and regulations. In addition, the procedures could be most effective when used as part of employee training efforts.

Internal policies and procedures serve as guidance to the individuals charged with performing adjustments to employee time records and provide a framework for key activities and processes. Additionally, they establish accountability to those individuals making and approving payroll adjustments.

We believe that documenting internal policies and procedures would provide each staff member with clear directions about assigned duties, and establish measures for increased internal quality assurance in the After-School All-Stars Program.

Recommendation 5. We recommend that the Inner City Games Executive Director prepare written internal policies and procedures indicating the necessary documentation for payroll adjustments, the individuals authorized to make such adjustments and the review processes necessary to ensure payroll accuracy.

Response Concur. Partially implemented as of September 2003. The procedure is in the draft stage.

**Time Worked
Needs to be
Certified by the
Employees**

We found that employees of the After-School All-Stars Program did not certify their time worked for each pay period. We were informed that a previous procedure used by the program was to require the employees to review a report summarizing the hours entered into the Simplex system and then the employees were asked to initial this report showing their approval of the information. The former Primetime Program Manager explained that due to the loss of the Seasonal employee assigned to be “office manager” he has not had a chance to prepare the report for each program site during this past summer. However, our detailed review of payroll adjustments showed that the program has not required employees to sign a report to certify hours worked since at least October 2002. City Policy and Procedure 412.1 states, “All employees should certify that all hours worked by them and all hours of paid leave are accurately reported.” At present, the After-School All-Stars Program Seasonal employees do not approve their time worked for each pay period; therefore, the program is in violation of this policy.

The City is in the process of switching the City’s time and attendance system from Simplex to Kronos with implementation expected by the beginning of next year. Staff in the Payroll section of the Management, Budget and Accounting Department informed us that this new system may be able to allow employees to review and approve their time worked at the

time clock; however, because of the large amount of data exchange that such a capability would require, this feature could slow down the system. The team charged with enabling the transition from Simplex to Kronos has not yet determined whether this feature will be made available.

We believe that such a system capability would greatly assist the Families, Parks and Recreation Department to facilitate the review and certification of time worked by its employees. We suggest that the Families, Parks and Recreation Department contact Payroll to discuss this feature or other possible solutions to ensure employees are certifying their time worked each pay period in accordance with City policy. In the meantime, the Inner City Games Executive Director should take steps to ensure that the Seasonal employees certify their time worked.

Recommendation 6. We recommend that the Inner City Games Executive Director follow City Policy and Procedure 412.1 requiring employees to certify all hours worked are accurately reported by ensuring employees sign a summary report of hours worked from the Simplex system.

Response Concur. This recommendation is implemented, effective August 11, 2003.

Recommendation 7. We recommend that the Families, Parks and Recreation Director consult with staff members of the Payroll section of the Management, Budget and Accounting Department to determine how the new payroll system, Kronos, can be utilized to allow employees to view and certify their time at the time clock.

Response Concur. Planned for implementation in January 2004.

**Temporary Pay
Rate Changes
Need to be
Reviewed**

As stated earlier, the Seasonal employees within the After-School All-Stars Program have a primary base rate of pay and other rates of pay when they are assigned to perform duties in other sections of the bureau. The primary and secondary rates of pay depend upon several factors, including the time the

employee has worked for the City and the duties of the job assignment.

We found that when employees worked outside the program, the former Primetime Program Manager would make adjustments to the employee's pay rate by coding the employee's time worked with a program number and a pay rate code. However, we noted that when these pay rate adjustments were made they were not reviewed by anyone else in the Families, Parks and Recreation Department. We suggested earlier in this report that when employees are re-assigned for an extended period of time that these employees be similarly re-assigned in the Simplex system. When these instances are of a short-term nature, controls should be put in place to ensure that the adjustments made are properly authorized and reviewed.

We believe that any temporary adjustments (perhaps less than one month) to employee pay rates should be performed by one individual and reviewed by a member of bureau management. If the bureau does centralize the payroll function (as presented in the next section), this could occur by the adjustment being made by a payroll clerk and the adjustment being reviewed by the affected program manager to verify its accuracy.

Recommendation 8. We recommend that the Families, Parks and Recreation Director establish a written procedure that when temporary pay rate changes are required, the change is entered by one individual and then reviewed by the affected program manager.

Response Concur. Planned for Implementation, contingent upon hiring employee.

Payroll Process Needs to be Centralized After we began this review, we consulted with the newly-assigned Fiscal Manager for the Families, Parks and Recreation Department. We were informed that management is considering centralizing the payroll function for the Families, Parks and Recreation Department. We believe that this change would be beneficial by standardizing the processing of payroll

throughout the department.

We encourage further analysis of this concept and we believe that it would heighten the efficiency of the payroll processing functions of the department. We want to point out that the centralization of payroll processing would both relieve the program managers from performing this administrative function and add a level of independence to the process. We also believe that making an individual or a section of the bureau accountable for the accuracy and efficiency of the payroll process is a positive step that would assist the program managers by offering guidance and suggestions for continually improving the payroll processes of the bureau. These individuals would be relied upon to be the most knowledgeable party in the bureau on payroll processing issues and could also help answer inquiries before the Payroll section of MBA would need to be consulted. The addition of a centralized payroll function could also allow payroll adjustments to be made by a third party who would then be required to ensure the proper documentation exists for these adjustments prior to having the payroll approved by the bureau's program managers. Thus, the program managers could perform a high-level review of payroll, identify major exceptions or issues and after they are resolved, approve the payroll.

We believe the idea of centralization of the payroll process of the Families, Parks and Recreation Department is worth pursuing and we are available for further consultation into this matter.

Recommendation 9. We recommend that the Families, Parks and Recreation Director continue efforts to create a centralized payroll position (or function) to track and monitor the payroll processes of the department.

Response Concur. Planned for Implementation, contingent upon hiring employee.

Program Expenditures Should Be Monitored

During this review, we analyzed the pattern of expenditures for three accounts used by the After-School All-Stars Program (program #274), Recreational Supplies (account #6320), Professional Services (#6353) and Other Contractual Services (#6372). In general, we noted a pattern of increased expenditures in the months of July, August and September. In two months, July and August 2001, the expenditures made from the Other Contractual Services account equaled \$80,000 and \$159,000, respectively. The August expenditures from this account were over 10 times more than the third highest monthly expenditure of \$12,000 in May 2001. We reviewed the details on these expenditures available in the JD Edwards/One World system and found that the majority of expenditures were for invoices from Orange County Public Schools. We inquired about this sudden increase in expenditures and were informed by the former Primetime Program Manager that these items were likely for bus transportation for the summer programs, but he did not recall the reason for the increase.

We also inquired about the pattern where some supplies and services (accounted for in the Recreational Supplies and Professional Services accounts) were purchased in the latter months of the fiscal year. The former Primetime Program Manager stated that he purchases materials and supplies after the end of the summer program in order to have the necessary amount of these items when the school year begins in late August. He stated that he does not make any effort to increase spending in order to ensure that his budget is not decreased.

Finally, we learned that the former Primetime Program Manager was given oral counseling in May 2002 for failure to adhere to the established policies of the bureau as they pertain to the procurement of equipment and supplies. Specifically, the manager allowed two Seasonal employees to purchase supplies and equipment of over \$800 for a drama production using cash and the employees' personal credit cards, for which they later requested reimbursements.

These conditions lead us to conclude the expenditures of the

After-School All-Stars Program need to be overseen by an independent party in the Families, Parks and Recreation Department to ensure they are appropriate expenditures needed for the program. We discussed with the new Fiscal Manager for the Families, Parks and Recreation Department whether she plans to perform such an oversight function and we were informed that this is being discussed with the Families, Parks and Recreation Director. We commend the department for beginning steps towards independent oversight and review of recreation program expenditures.

Recommendation 10.

We recommend that the Families, Parks and Recreation Director continue efforts to have the newly assigned Fiscal Manager monitor and review the expenditures of the recreation programs for reasonableness and proper authorization, including those of the After-School All-Stars Program.

Response

Concur. Implemented in August 2003.
