



TENNESSEE

A C WHARTON, JR. - Mayor
GEORGE M. LITTLE - Chief Administrative Officer
EXECUTIVE DIVISION
Internal Audit Service Center
LEON PATTMAN, CIA, CISA, CRMA, CMFO
City Auditor

November 25, 2014

Ms. Janet Hooks, Director
Parks and Neighborhoods Division
City of Memphis
2599 Avery Avenue
Memphis, Tennessee 38112

Dear Director Hooks:

Internal Audit received a whistleblower report via hotline on June 2, 2014 and a subsequent email message on August 13, 2014 alleging that some employees at the Audubon Golf Course (AGC) received pay for hours not worked. The allegation also indicated personal conflicts of interest including inappropriate employee relations, and employment of relatives. We initiated a special investigation to determine the veracity of the allegations regarding payroll. We referred the personal conflict to Human Resources Division for proper resolution. To accomplish our objectives, we conducted interviews, reviewed and analyzed pertinent time and attendance documentation, including Oracle payroll reports, timesheets, employee work schedules, and golf point-of-sale (POS) system data.

CONCLUSION:

Our analysis did not provide sufficient, credible, evidence to substantiate the allegation regarding fraudulent pay to employees for hours not worked.

SUMMARY OF INVESTIGATION:

- AGC management did not maintain sufficient records to support the alleged employees work hours. There was no work schedule to compare for one of the employees. For the other two, the hours listed on the work schedule were not consistent with the hours documented in Oracle payroll reports reviewed. However, we noted that this practice (no work schedule, inconsistent work schedule) was prevalent with other employees within AGC.

- AGC management did not track employee work schedule adjustments. Therefore, it was difficult to verify whether work hours were properly authorized prior to being worked.
 - During the analysis, we noted variances between the documented work hours (timesheet and work schedule) and paid work hours for several employees. AGC management stated that the variances were attributed to work hour adjustments. However, we did not find any documented justification for the variances.
- The golf administration policy related to pay practice and procedures required all employees to report their time (work hours) on a timesheet. Intermittently, the employees' signatures were included. We noted several payroll timesheets that did not include employee signatures.

OBSERVATION:

Auditors performed data analytics attempting to match payroll time entry data in the Oracle system to golf employees' activity in the golf POS system. After several attempts, auditors concluded that the data in the golf POS system was not reliable due to inconsistencies. Auditors plan to evaluate system controls at the first opportunity.

RECOMMENDATIONS:

AGC management should adhere to its policies and procedures to improve the process for documenting and tracking employee work hours. Additionally, AGC management should:

- Maintain accurate payroll records (i.e., timesheets, etc.) to validate employee work hours. Work schedule adjustments should be adequately justified and documented. Additionally, the records (work schedules, timecards, timesheets, etc.) should be maintained in accordance with the City's retention policy for payroll records.
- Enforce the policy that requires all employees to report hours worked on their timecards and sign the timesheets.
- Periodically, AGC management should monitor the time and attendance process at all Golf centers to:
 - Ensure internal controls are working
 - Ensure all employees are following the established policies and procedures
 - Ensure effectiveness and efficiency of policies and procedures
 - Identify errors and/or irregularities

MANAGEMENT RESPONSE:

Parks and Neighborhood management agreed to implement the recommendations in this report. Further, we received their action plan on November 24, 2014 which detailed the actions, responsible persons, and implementation dates for the corrective action.

Our investigation may not necessarily disclose all weaknesses related to employee time and attendance. The procedures performed for this project do not constitute an audit under government auditing standards.

We appreciate the cooperation of Parks and Neighborhoods management and assistance from the Human Resources Division. Please feel free to give us a call if you have questions or concerns.

Sincerely,



Debbie Banks, CFE, CICA, CMFO
Project Manager

APPROVED:



Leon Pattman, CIA, CISA, CRMA, CMFO
City Auditor

c: AC Wharton, Jr., Mayor
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