

CITY OF BUFFALO COMMON COUNCIL

Independent Accountants' Report
On Applying Agreed-Upon Procedures
Payroll Function

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Independent Accountants' Report on Applying Agreed-Upon Procedures

To the Honorable Comptroller of
the City of Buffalo, New York

We have performed the procedures enumerated below, which were agreed to by the City of Buffalo (the City) Comptroller (the specified party), solely to assist in evaluating the payroll function of the City of Buffalo Common Council (the Council) and whether the recommendations proposed in the Independent Accountants' Report On Applying Agreed-Upon Procedures, dated December 26, 2013, over the Council's payroll function have been implemented by the City as of December 31, 2015. The City of Buffalo's management and Councilmembers are responsible for the Council's payroll records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

- 1) **Procedure:** We made inquiries of the Senior Council Clerk, Payroll Audit Principal, Supervisor of Management Information Systems (MIS) Operations and City Auditor and documented our updated understanding of the payroll policies and procedures of the Council. We made specific inquiries of whether the following recommendations were implemented by the City as of December 31, 2015:

- Adoption of a standardized automated time entry system
- Adoption of a formal policy for the award and tracking of paid time off
- Adoption of a formal policy for tracking hours worked
- Adoption of a formal policy eliminating the "banking" of overtime hours
- Adoption of a formal policy prohibiting the use of Councilmember signature stamps on timesheets
- Adoption of standard procedures for the characterization and tracking of hours worked

Findings: We noted that none of the above recommendations were implemented by the City as of December 31, 2015. Refer to Appendix A for updated Common Council payroll process documentation.

- 2) **Procedure:** We obtained and inspected all time summary sheets and time sheets (for interns) submitted by Councilmembers for the period July 1, 2015 to December 31, 2015 to ensure all were completed and signed-off as approved by the appropriate Councilmember.

Findings: We noted 2 time summary sheets that were not signed-off as approved by the appropriate Councilmember. We also noted that signature stamps, in lieu of original signatures, were used by certain Councilmembers on time summary sheets for most of the pay periods selected. Utilization of a signature stamp does not generally provide adequate documentation of approval of time summary sheets since it cannot be determined who actually utilized the stamp.

- 3) **Procedure:** We obtained the Payroll Registers for the period July 1, 2015 through December 31, 2015. From a population of all Councilmembers and their staff, we haphazardly selected 10 individuals from 3 different payroll periods and performed the following procedures for each individual and period selected:
- We obtained the Timekeepers Payroll Summary Report from the Office of City Clerk and compared the hours worked per the Payroll Summary Report to the hours indicated on the time summary sheets and/or timesheets for each selected individual.
 - We ensured the time entry reports, consisting of the Timekeeper Payroll Summary Report, time summary sheets and/or timesheets, were approved and signed-off by the City Clerk or his designee.
 - We obtained the Payroll Register and compared the hours worked on the Payroll Summary Report to the hours indicated on the Payroll Register for each selected individual.
 - We agreed the position and rate of pay for each selected individual to the 2015-2016 approved City budget. We also recalculated each selected individual's gross pay.
 - For each payroll period selected, we agreed the positions and rates of pay of all Councilmembers to the 2015-2016 approved City budget.

Findings: No exceptions were noted.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the Council payroll function or its underlying records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City of Buffalo Comptroller, Department of Audit and Control and Common Councilmembers and is not intended to be and should not be used by anyone other than the specified party.

Smolen Bonghi Fleischmann LLP

SMOLEN | BONGHI | FLEISCHMANN LLP

January 14, 2016

Overall

The City of Buffalo Common Council, the City of Buffalo's legislative branch of government, consists of 9 members who are elected from 9 districts within the City limits for 4-year terms. Councilmembers' compensation is dictated by Article 24 of the City Charter which provides for a maximum annual salary of \$52,000, subject to the following adjustments depending upon position:

- The elected Council president will receive an extra \$10,000 annually.
- The designated Council majority leader will receive an additional \$5,000 annually.
- The designated Council minority leader will receive an additional \$2,500 annually.
- Councilmembers serving as chairman of any of the following committees will receive an additional \$1,000 annually: finance committee, legislation committee, civil service committee, community development committee and claims committee.

The Councilmembers are budgeted a total of 18 legislative employees and 11 interns in accordance with City Charter Article 3-7(L) which limits the total Council staffing level to 37 individuals. Councilmembers' staff serve at the discretion of the Councilmembers and are not covered by a collective bargaining agreement.

Adding/Changing Positions

New hires, promotions and compensation change requests are reported to the Office of City Clerk who requests a Budget and Personnel Amendment from the Division of Budget Office. This is signed by the Commissioner of Administration and Finance and the City Comptroller and filed in the Office of City Clerk for the next Council meeting. Simultaneously, the Office of City Clerk prepares a Personnel Requisition Request (PRR). While waiting for a PRR number from the Division of Budget, the employee commences the approval process which entails: (1) completing an application; (2) proving residence via a valid form of identification plus 2 forms of proof of residency; and (3) a police check. Once the PRR number is obtained from the Division of Budget, the PRR is forwarded to the Payroll Audit Department, along with the Certificate of Appointment (COA) and File Maintenance Form (FM) obtained from the Office of City Clerk. The Payroll Audit Department verifies the COA to the PRR, and will notate the name of the employee onto the PRR. Also, the Payroll Audit Department will verify that proper employment forms were completed and attached, including: Form W-4 (Federal withholding), Form IT-2104 (State withholding), New York State Retirement paperwork and Form I-9. Once verified, the FM along with Forms W-4 and IT-2104 are forwarded to the input/output section of the MIS Department for data entry where the employee is entered into the MUNIS system along with a scanned copy of their COA. Only the Supervisor of MIS Operations and two Senior Data Processors have the ability to enter new employees in MUNIS. The information is then sent back to the Payroll Audit Department where verification is performed that the data was entered correctly into the MUNIS system, including: position, salary grade and step. Upon the Payroll Audit Department approval, the employee is released in the MUNIS system for processing and an email is automatically generated and sent to the Human Resources Department for confirmation. The employee is then imported into the timekeeping program weekly on Friday afternoon. A COA is filed with the Council and sent to the Office of City Clerk for filing.

General Payroll Processing

In accordance with the City's payroll cycle, Councilmembers and their staff are paid every other Friday on a one week lag. Councilmembers are required to submit their employees' time to the Timekeeper in the Office of City Clerk no later than the Friday preceding the respective pay date. Upon receipt, the Timekeeper will manually enter the information into the timekeeper program, which must be completed no later than 10:00 AM on the Monday preceding the pay date. The timekeeper program automatically defaults to an 8-hour workday for each employee. Timekeepers must only adjust this defaulted amount for paid time off (PTO) taken or other situations where a regular day was not worked. Both the Timekeepers' computers and the timekeeper program are password protected with access only available to the Sr. Council Clerks.

There is no standard policy in place over the tracking of Council employee payroll hours or PTO as staff members are not required to complete daily time sheets or PTO request forms. Each Councilmember's office is responsible for determining its own payroll tracking procedures and PTO policies. Weekly time summaries signed by the respective Councilmember are required to be completed for each employee and are forwarded to the Timekeepers. Interns are required to complete daily time sheets which are also signed by the respective Councilmember and forwarded to the Timekeepers for manual entry.

Once the information is entered into the timekeeper program in the Office of City Clerk, the Timekeepers print a Time Summary Report which is compared to the individual time summaries/sheets for accuracy. Upon this verification, the information (including the Time Summary Report, Councilmember summary reports and timesheets) are accumulated and forwarded to the City Clerk who signs off that the payroll information has been entered accurately. The certified payroll is then forwarded to the Payroll Audit Department for verification.

The Payroll Audit Department runs a Timekeeper Error Report on the timekeeper system and reviews the report for accuracy. All errors are verified and notations are made for any time shortages or overages. The Timekeepers are notified of any required corrections. After all Timekeeper updates are complete, the Payroll Audit Department notifies the MIS Department, and a warrant number is created in the MUNIS System. The MIS Department imports the data from the Timekeeper Program into the MUNIS System and runs a Preliminary Proof of the warrant, closing out the timekeeper program for the respective payroll and preventing further editing to the timekeeper system. The Preliminary Proof is forwarded to the Payroll Audit Department which verifies rates of pay, payroll deductions and the total hours worked to ensure that no employee is paid for more than 80 hours of regular time per period. Additionally, for individuals with less than 80 hours worked, the Payroll Audit Department will verify the data to the error report to ensure no employees are underpaid without a valid reason.

Along with the Preliminary Proof, the MIS Department delivers the following reports to the Payroll Audit Department which are based on the MUNIS payroll data specific to the current payroll warrant: (1) Employees With Negative Balances; (2) Negative Deductions Taken for Warrant Number; (3) Active Employees With No Earnings; (4) Report of Zero Deductions For Warrant Number; (5) Step Report; and (6) General Ledger Reports. The Payroll Audit Department will compare these reports to the detailed Preliminary Proof and take any actions as deemed necessary. Any corrections to the Preliminary Proof are marked with a tab and are forwarded to the MIS Department for correction (as the MIS Department can only make changes to the payroll data once Preliminary Proof is run).

Within the MIS Department only the Supervisor of MIS Operations and two Senior Data Processors have access to payroll data in the MUNIS System. If any changes are made in the MUNIS System for pay grades, steps or adding new employees, a report is produced and forwarded to both the Payroll Audit Department and Human Resources Department for confirmation.

The Payroll Audit Department will notify the MIS Department to run the payroll checks/advices which are delivered to the Payroll Audit Department along with the Final Proof. Additionally, the MIS Department will initiate and send the direct deposit file to the bank and will run payroll employee distributions following the processing of regular pay. Payroll tax filings are computed and paid by the Payroll Audit Department. The Payroll Audit Department will verify that all corrections made to the Preliminary Proof were accurately inputted on the Final Proof and will complete a Payroll Check Receipt Form which notates the check/advice numbers, the total number of checks/advices, any voided checks, any checks held by audit and/or Civil Service, the number of emailed advices and a total of the checks/advices which are delivered to the Division of Treasury. Checks, advices and the Payroll Check Receipt Form are secured in the Payroll Audit department until picked up by a Treasury Department employee. The Treasury Department is responsible for the distribution of the checks and direct deposit advices. The payroll information, including the Time Summary Report, Councilmember summary reports and timesheets are filed in the Office of City Clerk.

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