

Report #1906 Audit Inquiry into Billings by Day Laborers



August 9, 2019

City of Tallahassee
Office of the City Auditor

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Audit Inquiry into Billings by Day Laborers

EXECUTIVE SUMMARY

WHAT WE DID

Prior to payment, Community Beautification and Waste Management (CBWM) identified potential errors in the November 2018 and December 2018 time slips submitted by two day laborers. In these instances, the time slips show hours worked which CBWM staff and management assert were not worked. More specifically, CBWM management and staff indicated the questioned hours related to 19 time slips showing time worked on days during which the City had not required or used the services of day laborers. In response to concerns expressed to us by the CBWM General Manager, we determined the extent to which the time slips were improper, provided guidance on how to better ensure the accuracy of time slips, and gathered information for law enforcement, as appropriate.

WHAT WE FOUND

With respect to the 19 time slips, we believe there is sufficient cause to question the legitimacy of charges totaling approximately \$4,750. CBWM staff identified 24 additional time slips which may contain overstatements of the hours worked by the two day laborers. However, we were unable to evaluate the validity of these time slips, or CBWM staff's statements regarding their accuracy, due to the lack of corroborative records at CBWM. Such corroborative records might include, for example, the City's copy (known as the "pink copy") of the day laborer's time slips and sign-in/sign-out records.

OPPORTUNITIES FOR IMPROVEMENT

CBWM reported, that upon identifying the questionable time slips, time slip controls were revisited. As a result, the need for the Tree Maintenance foreman (or higher position) to approve time slips was emphasized, and the Foreman is now required to retain the time slip pink copies for use in validating the invoiced amounts. The enhanced controls also now require the pink copies be scanned into the City's centralized document storage system. We commend CBWM management for their efforts in identifying the questionable charges and in strengthening internal controls. Other opportunities for improvement included:

1. CBWM should consider maintaining sign-in/sign-out sheets for day laborers.
2. Relevant duties associated with the enhanced policies and procedures should be communicated to all applicable City staff and each day laborer.
3. CBWM management should monitor staff compliance with the enhanced procedures.

OBSERVATIONS

Element	Observation 1: Questioned Time Slips
Issue	<p>Prior to payment, Community Beautification and Waste Management (CBWM) identified potential errors in the November 2018 and December 2018 time slips submitted by two day laborers. For these two day laborers, the time slips show hours worked which CBWM staff and management asserted were not worked. CBWM management and staff further indicated the questioned hours relate to 19 time slips showing time worked on days during which the City had not required or used the services of day laborers.</p> <p>Following the discovery of the questionable time slips, CBWM contacted the City Auditor’s Office for assistance in reviewing the questionable time slips and determining whether other erroneous time slips may have been submitted by these two day laborers.</p>
Conclusion	<p>During our initial meeting with CBWM management, we were advised that CBWM had not been retaining the customer copy (“pink copy”) of the time slips. The absence of the pink copies of the time slips limited the scope of our work, as we were unable to match the City’s receipt for the work (i.e., the pink copy of the time slip) to the day labor contractor’s invoice charges. (The internal control implications of the discard of the pink copies of the time slips is discussed further in Observation 2.) However, with respect to the 19 time slips identified by CBWM, our evaluation of the information and records that were available did disclose indications that the day labor charges may be in error. More specifically:</p> <ul style="list-style-type: none"> • While we observed the submitted time slips contain a signature represented to be that of a City tree maintenance crew supervisor, the former tree maintenance crew supervisor indicated to us and to CBWM management that he did not sign the time slips. We found that, in support of the supervisor’s statements, the noted time slips relate to time periods occurring after the transfer of the supervisor to another division of CBWM where he had no responsibility for supervising the tree maintenance crew. • The day laborers work when the City employee crew members work, and the City’s employee time-keeping system records show no hours were worked by the crew members on the days in question, except for one day during which one crew member is shown as working. <p>The associated labor charges for the 19 time slips totaled approximately \$4,750. In a letter dated April 25, 2019, CBWM requested the day labor contractor review the disputed day labor charges totaling approximately \$4,750.</p>

	<p>In reviewing whether other questionable time slips may have been submitted by these two day laborers, we obtained from City records copies of day labor contractor invoices, which included images of the time slips submitted by the two day laborers during calendar years 2017 and 2018. We also interviewed applicable CBWM management and staff, including the City's former tree maintenance crew supervisor. These procedures identified 24 other time slips that may contain inaccuracies regarding the dates and hours worked. In these 24 instances, the time slips bear the name of the former supervisor as the approver, but the former supervisor stated the signature is not his. Because of the limitations in the information available to us, we were unable to apply the auditing procedures we considered necessary to conclude as to the validity of the charges included on these 24 time slips.</p> <p>Information gathered during our review was provided to CBWM management and the Tallahassee Police Department for further consideration and investigation, as appropriate.</p>
Response	<p>The Department now includes all time slips with original invoices submitted for payment. These time slips are verified for correctly billed labor charges and signatures of foreman or maintenance chiefs that have signed the daily labor tickets.</p>

Element	Observation 2: Recommended Control Enhancements
Criteria	<p>The City's Internal Controls Guidelines, Administrative Policy Manual 630 (APM 630), requires each department to establish controls (including department-level policies and procedures) to help ensure the proper recording of transactions and events and the maintenance of adequate documentation [APM 630.08; 630.09 (III) (11)].</p>
Condition	<p>CBWM had not developed standard written procedures for the review and verification of day labor charges. We did note that to record the work of day laborers, CBWM used a two-page carbonless form provided by the day labor contractor referred to as a "Labor Time Slip" (time slip). However, the CBWM did not retain the customer copy ("pink copy") of the time slips for use in verifying the related charges included in monthly day labor contractor invoices.</p>
Cause	<p>Pink copies of the time slips were not available for use because it had been CBWM's practice to discard them.</p>
Effect	<p>Absent the maintenance of City records showing the dates and hours worked by day laborers, the CBWM's ability to verify the accuracy of invoiced charges was reduced. Total invoiced charges for the 2017 and 2018 calendar years were \$425,414 and \$568,732, respectively.</p>
Recommendation	<p>CBWM reported, that upon identifying the questionable time slips (see Observation 1), day laborer controls were revisited. As a result, the need for the Tree Maintenance foreman (or higher position) to approve time slips was emphasized, and the Foreman is now required to retain the pink copies for validation of invoiced amounts. The enhanced controls also now require the pink copies be scanned into the City's centralized document storage system. We commend CBWM management for their efforts to strengthen internal controls. Our recommendations are:</p> <ol style="list-style-type: none"> 1. CBWM should consider maintaining sign-in/sign-out sheets for day laborers. Should the CBWM adopt the use of sign-in/sign-out sheets, the applicable supervisor should review and approve each sign-in/sign-out sheet and the sheets should be used to verify day labor contractor invoice charges.

	<ol style="list-style-type: none">2. Relevant duties associated with the enhanced policies and procedures should be reduced to writing and communicated to all applicable City staff and each day laborer.3. CBWM management should monitor staff compliance with the enhanced procedures. Those monitoring efforts should be documented.
Response	<p>The Department has implemented a method to verify that individual day labor employees verify their attendance each day. Rather than utilize an additional step of a sign in and sign out sheet, the Department now requires each day labor employee to initial beside their name after the workday on the daily labor sheet provided by the labor company. The foreman then reviews the hours and verifies the day labor employee has initialed beside their name on the labor sheet, and the foreman signs the labor sheet.</p> <p>The Department has begun the task of developing standard written procedures for the request, assignment, classification, and authorization and payment for charges related to day labor personnel. Once completed, each foreman, maintenance chief, and manager will sign the adopted written procedures for the management and accounting of day labor personnel.</p>

APPENDIX A - BACKGROUND

The City contracts with a day labor contractor which provides the City with various types of skilled, semi-skilled, and unskilled day laborers. The three City departments which primarily use the contract are Underground Utilities and Public Infrastructure; Parks, Recreation, and Neighborhood Affairs; and CBWM.

CBWM routinely uses day laborers to assist the City's tree maintenance crews in performing tasks such as the trimming, removal, planting, and general maintenance of trees along City roadways. During the 2017 and 2018 calendar years, day labor charges incurred by CBWM totaled \$425,414 and \$568,732, respectively.

As depicted below, each day laborer is to provide to the City time slips preprinted with the day laborer's name, the contractor's employee number, the dates the day laborer is scheduled to work, and other ancillary information. A City employee is to write on the time slip how many hours the day laborer works each day, sign the time slip at the end of the work period, and retain the bottom "pink copy" of the time slip for City records. Day laborers submit the top copy of the time slip to the contractor who pays the day laborer and the contractor subsequently invoices the City for the hours worked, in accordance with a contract between the City and the contractor.

TIME SLIP DATE 11/12/2018		TL ORDER NUMBER 716938	TIME SLIP 6467369
		CUSTOMER ID 12518	CUSTOMER P.O. NUMBER
CUSTOMER JOB SITE CITY OF TALLAHASSEE TREE & LANDSCAPE 642 HARRY ST. TALLAHASSEE, FL 32301	REPORT TO: ^{SMB} SKILL: 1 SEMI - SKILLED. DUTIES:	TIME: 07:00 AM REPEAT? YES NO # of Workers	
DIRECTIONS:			
MO TU WE TH FR SA SU	EMPLOYEE NAME (LAST, FIRST) [REDACTED]	EMPLOYEE ID [REDACTED]	MO TU WE TH FR SA SU 8 8 8 8 8 40
ATTENTION SUPERVISORS: PLEASE FILL THE HOURS WORKED BY OUR EMPLOYEES, SIGN AND RETURN WHITE COPY. KEEP THE PINK COPY FOR YOUR RECORDS. CUSTOMER AGREES TO THE TERMS ON THE REVERSE SIDE OF THIS TICKET.		TOTAL HOURS # OF WORKERS START TIME	CHECK HERE <input type="checkbox"/> TO BE CONTACTED FOR A SERVICE CALL
AUTHORIZED SIGNATURE [REDACTED] ORIGINAL		CHECK HERE <input type="checkbox"/> TO BE CONTACTED FOR A SERVICE CALL	

APPENDIX B - PURPOSE, SCOPE, AND METHODOLOGY

This audit inquiry was not included in our annual audit plan, but was completed at the discretion of the City Auditor, based on the information provided to us by CBWM. The **purpose** and **scope** of the audit inquiry was to determine the extent to which improper time slips had been submitted during the 2017 and 2018 calendar years by two day laborers working on the City's tree maintenance crew and to provide recommendations on internal controls which could help prevent and detect errors in the time slips submitted by day laborers.

The **methodology** included interviewing applicable City management and staff; obtaining an understanding of relevant policies and procedures; reviewing relevant contracts and reports; reviewing CBWM records supporting selected payments to the contractor during the audit period; reviewing City timekeeping records of the City employee members of the tree maintenance crew; and searching the day labor payments made by other City departments for time slips submitted by the two day laborers.

APPENDIX C - ACTION PLAN

Management's Action Plan Audit Inquiry into Billings by Day Laborers

Action Steps	Responsible Employee	Target Date
1) CBWM will continue requiring the Foreman (or higher position) to approve time slips and use the retained pink copies to validate applicable invoice charges. CBWM will continue submitting those copies, along with the invoices, for scanning into the City's centralized document storage system once the invoices are paid.	Reginald Ofuani & Chris Revell	Completed (Note 1)
2) CBWM will require each individual day labor employee to initial by their name at the conclusion of the workday. The applicable supervisor will review the labor sheet and approve the form if the hours worked are correct and the day labor employee has initialed the form.	Reginald Ofuani & Chris Revell	Continuous
3) Relevant duties associated with the enhanced policies and procedures will be communicated in writing to all applicable City staff and each day laborer.	Reginald Ofuani & Chris Revell	12/1/19
4) CBWM management will document the monitoring of staff compliance with invoice verification procedures.	Reginald Ofuani & Chris Revell	Completed (Note 1)

Note 1: Action plan steps 1 and 4 were reported by management as having been completed prior to the issuance of this report. Completion will be verified during the audit follow-up process.

APPENDIX D - CITY MANAGER'S RESPONSE

I appreciate the Auditor's extensive review of the billing and payment processes for day laborers performing work for the City, and their observations to facilitate improvement of these processes. I believe the measures outlined in this audit plan will effectively provide the controls needed to enhance accountability and accuracy for payment to day laborers. I would like to thank the City Auditor, Audit Team, and the Management of Community Beautification and Waste Management Services for their cooperation and professionalism throughout the review.

DISTRIBUTION

Responsible Manager(s):

Reese Goad, City Manager

Internal Distribution:

Mayor and Members of the City Commission

Appointed Officials

Executive Team

Reginald Ofuani, General Manager, Community Beautification and Waste Management

Steve Outlaw, Interim Chief, Tallahassee Police Department

External Distribution:

Members of the Audit Committee

External Auditor

ACKNOWLEDGEMENTS

We would like to express our appreciation to the management and staff of Community Beautification and Waste Management and the staff of the Tallahassee Police Department for their cooperation and assistance during this audit inquiry.

PROJECT TEAM

Engagement was conducted by:

Patrick A. Cowen, Senior IT Auditor, CPA, CISA, CIA

Under the supervision of:

Joseph K. Maleszewski, former City Auditor, MBA, CIA, CGAP, CISA, CIG, CIGA, CIGI, CCEP
Don Hancock, Interim City Auditor, CPA

Approved by:

Dennis R. Sutton, City Auditor, CPA, CIA

STATEMENT OF ACCORDANCE

The Office of the City Auditor's mission is to provide the City Commission an independent, objective, and comprehensive auditing program of City operations; to advance accountability through the provision of assurance and advisory services; and to actively work with Appointed Officials in identifying risks, evaluating controls, and making recommendations that promote economical, efficient, and effective delivery of City services.

We conducted this audit in conformance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

Please address inquiries regarding this report to the Office of the City Auditor at (850) 891-8397 or auditors@talgov.com.

<http://www.talgov.com/transparency/auditor.aspx>