

**THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER**

INTERNAL CONTROL AND ACCOUNTABILITY DIRECTIVES

DIRECTIVE 13 - PAYROLL PROCEDURES

INTRODUCTION

This Directive sets forth the basic internal controls and procedures agencies must follow for recording employee time, preparing timekeeping data for payroll processing, and distributing payrolls.

In the fiscal year ending June 30, 1997, personal services and fringe benefit costs constituted 45 percent of the City's \$33.7 billion budget. Given the very significant financial impact of payroll costs, it is critical that agencies devote the resources necessary to appropriately manage and control the payroll process. Agency management must insure that the internal controls and procedures specified in this Directive are in place, that they are reviewed regularly and, if necessary, modified to adjust to changing organizational and business needs.

Directive 13 is issued pursuant to Section 93(h) of the New York City Charter, which empowers the Comptroller to prescribe methods for preparing and auditing payrolls and to conduct reviews to assure compliance.

1.0 GENERAL INFORMATION

1.1 Directive Organization

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1.2 Effective Date

This Directive is effective immediately and replaces the previous release issued in April 1978.

1.3 Assistance

Requests for additional copies and questions concerning this Directive should be addressed to: Joseph Trapani, Chief, Bureau of Management and Accounting Systems, 1 Centre Street, Municipal Building, Room 1005, New York, N.Y. 10007, (212) 669-8201.

2.0 BACKGROUND AND SCOPE

2.1 The Payroll Management System

The Payroll Management System (PMS), operated by the Office of Payroll Administration (OPA), is New York City's central payroll system. Based on attendance, leave, and other data reported by the agencies, PMS maintains time and leave records, posts accruals and deductions, stores employee history information, calculates pay and generates checks or electronic transfers on weekly or biweekly cycles. Agencies authorize wage and salary payments and supply adjusting information using standard PMS input forms to report time worked, new hires, terminations, error corrections and other changes and adjustments. Payroll processing and production are handled by the Financial Information Services Agency (FISA).

Detailed procedures for PMS' use and operation, including the *PMS B Procedures*, User Bulletins, and User Service Instructions (USI) are published by OPA. The *PMS B Procedures* is the basic user manual for the system. Modifications, changes and updates to the existing *PMS B Procedures*, and new procedures, are released in User Bulletins. Union labor contract matters subject to collective bargaining, such as title changes, wage rate increases, and other contract changes are reported in the User Service Instructions.

OPA offers a variety of PMS training classes and training modules for agency employees. Courses currently available are listed in Attachment A.

2.2 Directive Scope

The group of activities that are broadly referred to as the payroll process consists of four primary functions; personnel, timekeeping, payroll and distribution. The personnel function includes the tasks related to hiring, establishing wages and salaries, authorizing salary adjustments or other personnel changes and processing terminations; the timekeeping function includes collecting employee time and attendance data and preparing the input necessary for the payment process; the payroll function includes entering authorized transactions into PMS, calculating the pay due, generating the payments, payroll accounting and payroll reconciliation; and the distribution function includes issuing paychecks and direct deposit earning statements

to employees.

This Directive's principal focus is on the timekeeping and distribution functions. Because timekeeping and distribution are frequently performed by many different employees, in physically dispersed locations, under a wide variety of conditions, they represent some of the greatest control risks in the payroll process. Consequently, timekeeping and distribution require careful planning, supervision and monitoring to insure the integrity of these aspects of the payroll process.

The personnel function, which is covered only briefly herein, is generally concentrated in the agency personnel office and is largely subject to the rules, regulation and control of the Department of Citywide Administrative Services (DCAS).

2.3 Separation of Duties

The importance of the adequate segregation of duties in the payroll process cannot be overemphasized. An improperly organized payroll process can present many opportunities for the production of erroneous or fraudulent pay transactions. Proper internal controls require that the four primary payroll functions and many of the steps within each, be performed by individuals or organizational units that are independent of each other. Agencies must recognize that strict adherence to the separation of duties guidelines presented in this directive is essential.

More specifically, agencies must insure that the following processes are adequately segregated:

- (1) Authorization of payroll additions, deletions and changes.
- (2) Production of the primary records which attest to the time worked.
- (3) The preparation of timekeeping data and its input into PMS.
- (4) The processing and production of the payroll.
- (5) The distribution of paychecks.

Greater detail on these and other separation of duty requirements are covered in appropriate sections of this Directive.

2.4 Work Unit Defined

The Directive uses the term *Work Unit* to designate the division, office or sub-unit of an agency where employees work and where the primary timekeeping records and the timekeeping information input into PMS are initially collected and summarized.

2.5 Training and Documentation

All employees with payroll process responsibilities must be adequately trained and must maintain, for ready reference, complete and up-to-date payroll manuals, including the *PMS B Procedures*, User Bulletins, User Service Instructions, the Comptroller's Internal Control and Accountability Directives and agency issued procedures, if any, as appropriate for their areas of responsibility.

3.0 THE PERSONNEL FUNCTION

The payroll process is generally considered to begin in the agency employment or personnel office. It is the personnel office that authorizes the formal transactions to hire new employees, adjust salaries or wages, establish payroll deductions, and promote, transfer or terminate employees through retirement or otherwise. The personnel office is also the customary repository for all employment history records.

The personnel function is governed by DCAS' Leave Regulations, Personnel Orders (amendments to the Leave Regulations), Personnel Service Bulletins (interpretations of the Leave Regulations), the Rules and Regulations of the City Personnel Director, and Mayoral Executive Orders. Management employees are covered by *Leave Regulations for Management Employees*, non-manuals are covered by *Leave Regulations for Employees Who are Under the Career and Salary Plan*. Citywide or individual collective bargaining agreements and the Comptroller's Consent Determinations provide additional rules and regulations. Agencies that supplement the regulations listed here with agency specific procedures must submit a copy to DCAS' Division of Citywide Personnel Services.

One of personnel's most important functions, adding new staff to the payroll, is a critical control point in the payroll process. Internal controls must be established to insure that new hires and other payroll transactions have been approved by agency management or other authorized individuals in compliance with agency procedures, civil service rules and regulations and funding and budgetary restrictions.

Because agency personnel offices authorize the transactions that add employees to the payroll, change pay, and effect other key transactions, the personnel office must not have access to the timekeeping, payroll, or paycheck distribution functions. Personnel must be organizationally separate and distinct from the payroll office, must not have access to or exercise control over the primary timekeeping records, and must not be authorized to enter or change timekeeping or payroll data in PMS.

4.0 THE TIMEKEEPING FUNCTION

Timekeeping is the aspect of the payroll process that creates the primary time records that are used to determine the salary or wages payable to employees. As such, it is one of the most important links in the agency's internal control structure for the payroll process. Timekeeping activities take place at the Work Units where employee attendance data is collected and recorded and at the central timekeeping office where timekeeping data is reviewed, coordinated and assembled for transmittal to FISA. Timekeepers must be adequately trained, must have a working knowledge of the City's payroll policies and practices, and must have access to the written rules and procedures that describe their functions and responsibilities.

Each Work Unit must designate a timekeeper to monitor and record daily attendance, absences, late arrivals and early departures under Citywide and agency time and leave policies and procedures. Agencies must establish and enforce practices and routines to ensure that timekeeping procedures produce reliable and accurate time records and reports. A reliable timekeeping system is essential not only for accurately determining regular and overtime pay due salaried and hourly wage employees, but also for matters such as settling payroll disputes, establishing the validity of injury and disability claims and supporting reimbursement claims under state and federal funding or similar grant programs.

If it is not practical to have an individual dedicated full or part time to timekeeping duties at a Work Unit, a time clock, sign-in sheet or other recording method may be used provided that it is supervised by a responsible individual.

4.1 Recording Time - General

A fundamental timekeeping principle is that attendance, absence and tardiness be recorded promptly on a daily basis. Time and attendance must be recorded for all employees, including managerial and non-managerial salaried staff, and those who are paid on a daily or hourly basis. In most cases, employees record their own arrival and departure times and leaves taken, however, in many situations timekeepers are given this responsibility.

4.1.1 Salaried Employees. The time records for salaried employees must record the hours of arrival and departure for each day of work, the charges against vacation, sick or personal leave credits, and any excused leave taken for events such as jury duty or death in family.

4.1.2 Daily or Hourly Wage Employees. The time records for employees paid on an hourly or daily rate basis must capture the details necessary to establish total time worked, because employees in this class are paid only for the time at work. Timekeeping for these employees, typically skilled workers or laborers, may be complicated by the fact that their work locations frequently change, requiring time records to be maintained at various locations. In these situations, agencies must insure that the information entered on time records at each location is correct and complete in every detail and that the several records are coordinated and accurately combined to obtain the aggregate time worked.

4.2 Daily Attendance Report

The primary timekeeping document for recording hours and computing total time worked is the daily attendance report. Daily attendance reports may also be used to record and control late arrivals and early departures. Time clocks, sign-in sheets and managerial time sheets are typical daily attendance reports, however, this record may take a variety of forms, particularly as agencies begin to make greater use of electronic, biometric and other technologies to record timekeeping data. In fact, the City is currently in the process of significantly expanding its automated timekeeping capabilities and eliminating manual recording processes to the greatest degree possible. Regardless of the daily attendance report's format, it must reliably capture all information necessary to track an employee's attendance.

All daily attendance reports must be signed by the employee, certified by the timekeeper and approved by the timekeeper's or the Work Unit's manager, supervisor, foreman or superintendent.

4.2.1 Special Procedures for Sign-in Sheets.

- (a) Where sign-in sheets are used, they should be prepared in advance by the agency payroll office or the timekeeper. Sign-in sheets must cover each day of the week or payroll period and, when possible, should pre-list, in alphabetical order, the names of the employees at the Work Unit location who are required to sign-in.
- (b) Any changes to sign-in sheet entries must be in ink and initialed by the timekeeper and Work Unit or other appropriate supervisor.
- (c) Sign-in sheets must always be under the physical control of the timekeeper or the Work Unit's manager or supervisor. This is especially important at normal work start and end times so that the arrival and departure times can be verified as they are entered by employees.
- (d) Where sign-in sheets do not pre-list employee's names, a "late line" should be drawn across the sheet at six minutes after the scheduled reporting time. This action creates a clear tardiness record since employees signing below the line were late.
- (e) Where sign-in sheets do pre-list employee's names, an "X" or late line should be drawn, at six minutes after the scheduled reporting time, in the space adjacent to the name where arrival time is recorded.

4.3 Timekeeping for Field Employees

Employees whose duty assignments require them to work in the field at different locations or at locations other than their central office, must maintain a record of their daily activities. The starting and ending times, location, description of the work performed, and time spent in the field or alternate location must be entered for each day's work, showing for employees such as inspectors who visit multiple sites each day, the details for each stop. Any deviations from regular hours, and the reason, must be clearly indicated. At a minimum, this record must be submitted to the employee's central office on a weekly basis.

4.4 Excessive Lateness

The timekeeping process can be used to help control employee lateness by having the timekeeper bring cases of excessive lateness to the attention of the Work Unit supervisor or by having supervisors monitor the time records. Excessive or chronic lateness determinations must be made in accordance with DCAS' citywide lateness policy in Personnel Service Bulletin 410-1. The City may discipline or discharge an employee for excessive lateness.

4.5 Prior Notice for Absences

Where possible, the timekeeper or Work Unit supervisor must insure that employee planned absence requests are submitted in advance. Absences due to illness or emergency should be reported within one hour after the employee's scheduled starting time.

4.6 Monitoring, Review and Supervision of the Timekeeping Process

Agencies must employ independent monitoring and review procedures as part of their internal controls over the timekeeping function. Monitoring and reviewing the timekeeping process requires that non-Work Unit personnel periodically perform independent reviews of different aspects of the timekeeping and paycheck distribution processes to insure that all procedures are adhered to, and to provide general assurance of the overall integrity and accuracy of the payroll process. Immediate action must be taken to correct errors and irregularities disclosed by the review process.

In deciding on how frequently to conduct reviews, agencies must consider, for each aspect of the timekeeping process, the adequacy of supervision in the Work Unit, past history of compliance or non-compliance, the general nature, physical location of and type of staff assigned to the Work Unit, the length of time since the last review and any other circumstances, that in management's view, would impact the scope and timing of the review.

The procedures described in this section should also be used or adapted, as appropriate, by Work Unit timekeepers, supervisors or managers as techniques for supervising the timekeeping process.

4.6.1 Timekeeping Review and Monitoring Staff. Agencies must establish and staff a

timekeeping monitoring and review function. Larger agencies must consider dedicated staff for these activities. Smaller agencies may use an employee with other duties. In either case, the monitoring and review staff must be independent of the Work Unit timekeeping process. Typically, staff from central timekeeping, payroll, or other administrative support areas may be assigned these functions. Agencies may use the work of internal audit staff to supplement the monitoring and review program.

4.6.2 Review Procedures for Written Records. The work of the timekeepers at Work Units throughout the agency must be monitored by reviewing the records created in the timekeeping process. The reviews must be designed to verify the accuracy and reliability of the records and to ascertain the timekeeper's adherence to stated policies and procedures.

4.6.3 Site Visitation Procedures. To be most effective, monitoring and review procedures must include unannounced visits to sites where timekeeping activities are conducted, to physically observe payroll activities as they take place. Observations at the Work Units must be conducted at frequent, but irregular, intervals. Procedures include:

(a) Periodic Floor Checks. Monitoring staff must review the attendance records for conformance with agency procedures and make spot "floor checks" of employees who are reported in for the day. In doing this, the daily attendance record is used to verify that all employees who are reported "in" are actually at work. This is one of the most effective methods for verifying that employees are actually on the job. The absence of any employee from his duty station, who according to the attendance sheet should be present, must be satisfactorily explained. Any unauthorized absence must be investigated at once.

(b) Observing the Sign-in/Sign-out Process. Monitoring and review activities include observing the sign-in and sign-out processes to verify that timekeepers are controlling the sign-in sheets, that late line procedures are properly handled and that employees are appropriately signing themselves in and out.

(c) Observing Payroll Distributions. Monitoring and review activities include verification that properly identified employees are picking up checks or direct deposit earning statements, that signatures are obtained for checks, and that undistributed checks are handled in accordance with the agency's procedures.

4.6.4 Monitoring, Review and General Supervisory Techniques - Field Employees. Timekeeping for, and the supervision of, field employees require special procedures because field employees move from place to place in the performance of their duties. The system for recording time for field employees must be accompanied by adequate procedures for the control of time records and verification of attendance and job performance. Procedures may include having the employee report to the office at the start and/or end of the work day, having the employee telephone in to the office at various intervals during the workday followed by supervisory callback, having supervisors make prearranged meetings with employees in the field, and having monitoring and review staff or supervisors make

frequent, unannounced visits to work sites or stops in the field.

4.6.5 Documenting and Reporting Findings. The monitoring and review staff must document all site visits made and must report any adverse findings to the unit manager and/or the agency administrative offices that have the authority to enforce immediate corrective action.

5.0 PREPARING THE EMPLOYEE TIME REPORT (ETR)

The Employee Time Report (FISA PMSF Form ETR -1 [6/90]) is a key document in the payroll process. It is the means by which agency personnel instruct PMS to generate a paycheck. The Employee Time Report (ETR) captures the time employees worked, as well as charges to annual and sick leave or other balances such as compensatory time. Individual ETRs must be prepared for each employee every week.

5.1 ETR Preparation Procedures

Completing the ETR requires a review of the accuracy of the daily attendance reports, the transfer of the information from the daily attendance reports to the ETR, and signing as preparer. At the end of each week the agency central timekeeping office collects the ETRs from the various Work Units and submits them to FISA for production of the payroll.

ETRs must be prepared in accordance with the following procedures:

5.1.1 ETRs should be prepared by an employee other than the Work Unit timekeeper who supervises the daily attendance reports. If the organizational structure does not permit this segregation and the timekeeper also prepares and submits the ETRs, the ETRs must be verified and approved by the Work Unit's supervisor or be submitted to the agency central timekeeping office, along with the daily attendance reports, for independent validation.

5.1.2 The ETR's header boxes should be pre-printed with the names, Social Security Numbers, titles and other information for the Work Unit's employees.

5.1.3 All charges, credits and adjustments to earned time must be made in accordance with the Citywide Agreement, individual collective bargaining agreements, DCAS Leave Regulations, Comptroller's Consent Determinations or other relevant governing regulations.

Additional annual leave that is credited to an employee whose unused time balance is already at the maximum allowance must be handled in accordance with DCAS Leave Regulations and applicable agency procedures. DCAS' Leave Regulations generally limit the accumulation of any carryover annual leave to the amount that the employee can accrue in two years, and require that any leave exceeding the maximum allowance be converted to sick leave, unless the agency head has authorized excess leave carryover.

5.1.4 Absences for daily and hourly wage employees are coded and recorded on the daily attendance reports in the same manner as for salaried employees, however, when completing ETRs for daily and hourly wage employees, only paid absences along with the actual hours worked must be entered.

5.1.5 To insure that proper salary reductions are made when salaried employees take time in excess of their leave balances, as may be permitted by their agency, such incidents must be reflected on the ETRs in exact hours and fractional hours for each day an absence occurs.

All such adjustments must be certified by the timekeeper and approved by the Work Unit or other appropriate manager or supervisor. This is necessary because PMS processes paychecks for salaried employees on an exception basis, meaning that PMS will automatically generate a full paycheck unless adjustments to the normal rate of pay are made.

5.1.6 Employee transfers, resignations, dismissals, and other status changes are reported to PMS using FISA PMSF Form 02, *Employee Update*. All *Employee Update* forms must be authorized by the agency personnel office.

5.1.7 Changes to a previously submitted ETR must be done using an ETR adjustment form (FISA PMSF Form 13 [11/83]).

5.2 Annual Leave Balance Verification

PMS maintains accrued leave records for every employee that earns vacation, sick or personal leave, overtime (compensatory time), or who is chargeable for lateness. The PMS leave record contains all essential details for each employee's earned and used leave, charges for lateness, and the balance of unused leave available by category. Each year PMS generates yearend employee leave balance reports which are distributed to employees with a request for verification. Discrepancies reported by the employee must be promptly investigated and reconciled. If necessary, timekeepers must enter corrections to PMS.

6.0 THE PAYROLL FUNCTION

The agency payroll office serves as a control point in the payroll process. Key responsibilities include: entering all payroll actions into PMS; the review of completed payrolls when received from OPA; reconciling OPA generated payrolls to agency personnel and accounting records to insure that PMS generated transactions match agency authorized pay amounts, changes, terminations or other actions; and insuring that all detected errors are corrected.

6.1 Segregation of Duties

The payroll office must be an independent unit, organizationally separate from agency personnel and timekeeping functions. If the size of the agency and the volume of work do not warrant a separate organizational unit, payroll may be part of the agency's accounting, finance or

business office. In very small agencies with few employees, the payroll responsibility may be assigned to an employee who has other unrelated responsibilities. The payroll office or unit, however, must never be under the supervision of the personnel or timekeeping office. Furthermore, to insure the independence of the payroll office, its employees must not have access to the timekeeping records that are the basis for payroll production and must not have the authority to authorize payroll actions.

6.2 Exception Transactions

Certain atypical, and strongly discouraged payroll transactions may be necessary in exceptional circumstances. Agencies must insure that such transactions are authorized in advance, in writing by the Agency Head, the agency personnel office, and/or OPA, as appropriate.

6.2.1 Payroll Advances. Salary advances are prohibited in most circumstances. When made, such advances must be PMS transactions approved by agency management, and OPA. Advance salary payments must never be made through an imprest fund or any other method that effectively circumvents PMS or the payroll process.

6.2.2 Leave Advances. Borrowing leave from future accruals is generally discouraged and should be allowed only in unusual circumstances and upon the discretion of the Agency Head. Advances should only be taken at times convenient to the agency. For managerial employees, leave regulations for advances are provided in Personnel Order No. 88/5 as amended, Section 4.5 for annual leave advances and Section 5.4 for sick leave advances. For non-managerial employees see *Leave Regulations for Employees Who Are Under the Career and Salary Plan*, Sections 2.6a and 3.4a.

6.2.3 Salary Overpayments. Agencies are responsible for detecting, correcting and recouping overpayments made to employees. The two most common causes of overpayments are delays in reporting terminations and leaves-without-pay to PMS. The procedures to be followed for recouping salary overpayments are contained in Comptroller's Internal Control and Accountability Directive 19, *Procedures for Recouping Payroll Overpayments to City Employees*. The recoupment methods may vary depending on whether the employee receives a conventional paycheck or is enrolled in the City's electronic funds transfer program.

7.0 PAYROLL DISTRIBUTION AND CONTROL

Based on ETRs submitted by each agency, FISA generates payroll registers, paychecks and direct deposit earnings statements sorted by Payroll and Payroll Distribution Codes designated by the agency. When the payrolls are ready, agencies must send messengers to OPA to pick them up at One Centre Street, Room 200 between 8:30 a.m. and 5:00 p.m. The messengers will, upon proper identification and signature, be provided with their respective agency payrolls. The payroll package includes paychecks, direct deposit earning statements and payroll summaries. Before leaving OPA for return to their agency, the messenger must secure the checks and documents in a locked carrier.

OPA maintains copies of each agency payroll.

7.1 Paycheck and Earnings Statement Distribution Procedures

Agencies must promptly distribute paychecks and direct deposit earning statements to Work Units and employees. The following guidelines must be incorporated into agency payroll distribution routines:

7.1.1 Payrolls must be reviewed for completeness upon receipt by the Work Unit. Missing checks or direct deposit earning statements must be reported immediately to the agency payroll office. The person who distributes payroll checks and direct deposit earning statements to employees must be a responsible employee who is not charged with payroll authorization, PMS data entry or maintaining the attendance records. Thus, the checks and direct deposit earning statements must not be distributed by the personnel office, the timekeeper or the payroll office.

7.1.2 Every transfer of payroll checks, whether to an employee, a messenger, a supervisor or designee, must be evidenced by the recipient's signature. For direct deposit earning statements, signature is required only upon original agency pickup from OPA.

Employees must evidence receipt of their paycheck by signing the Paycheck Distribution Control Report (PMS PPCCP319).

7.1.3 Employee's checks must not be released to any other individual without proper written authorization from the employee.

7.1.4 Payroll checks and direct deposit earning statements must not be mailed to employees except upon the employee's written request and the approval of the employee's supervisor and the manager of the agency's payroll office. The approved written request must be maintained on file in the payroll office.

7.1.5 Pay checks must never be distributed prior to 3:00 p.m. on the business day prior to payday.

7.1.6 Where employees work on a multi-shift basis, it may be necessary to distribute the checks and direct deposit earning statements at hours when the central office is not open. In a shift environment, the Work Unit supervisor will generally act as paymaster. Since this supervisor is also responsible for reporting the employees' time, protective steps such as frequent and unannounced field visits and floor checks must be made by payroll monitoring and review staff or supervisors to confirm the integrity of the attendance records (see §4.6.3.)

7.1.7 The agency must immediately complete a Stop Pay Notice (Form PRS 710) in order to stop payment on lost or stolen paychecks. If the check is lost or stolen before distributing

to the employee, the agency must provide a detailed written account to its Inspector General. A copy of the memo must be attached to Form PRS 710.

7.2 Procedures for Undistributed Checks

Undistributed checks must be carefully controlled to insure that they are not misappropriated. OPA User Bulletin #96-08 provides detailed procedures for processing undistributed paychecks.

7.2.1 All checks and statements not distributed on payday must be analyzed as to reason. Checks and direct deposit earning statements made out to individuals who have terminated their services, or to unknown individuals, must immediately be returned to OPA with a copy maintained by the agency's payroll office.

7.2.2 Undistributed checks and direct deposit earning statements must be logged. Checks and statements for employees on annual or sick leave who are expected to return shortly must be returned to the agency payroll office where they must be placed in a secure facility. When an undistributed check is later released, the agency must obtain the employee's signature or, if the employee has provided written authorization to release the check to another individual, the signature of the authorized recipient.

7.2.3 For other than short term leave, the agency must make every effort to contact the payee to arrange to distribute the check. If the check cannot be distributed to the employee it should be refunded using FISA Form PMSF 09C (Check Refund). If, at a future date, it is determined that the employee is entitled to payment, the agency can generate a check for that pay period in PMS.

7.2.4 Checks for deceased employees must be returned to OPA along with an Undistributed Check (FISA PMSF 09B) form marked "deceased" and a Check Pay Order. If there is no probated will or letter of administration, the surviving spouse or, if no surviving spouse, the next of kin should complete an affidavit which may be obtained from OPA, in order to be paid any City wages due the decedent.

8.0 RECORDKEEPING REQUIREMENTS

Agencies must insure that all aspects of the payroll process, from beginning to end, are fully documented and that the records are retained in accordance with City and agency records retention policies.

8.1 Personnel Records

The personnel office must maintain records supporting and authorizing documentation for all personnel actions including hiring new employees, changes in compensation or title, salary deductions, terminations, resignations, retirements and all intervening events. The personnel office

must also maintain all employment history records.

8.2 Timekeeping Records

Timekeeping records must be properly maintained and controlled in the Work Units or Central Timekeeping Office. The daily attendance reports, consisting of time cards, sign-in sheets, or other records that record daily attendance, are the source documents for employee time. Accurate record keeping is essential to ensure both that employees are paid only the amounts due to them and the overall effectiveness of payroll procedures and controls.

Agencies must observe the following basic guidelines for the proper management of timekeeping records:

- (a) Maintain a complete and accurate record of daily attendance reports showing attendance for each day, hours worked, absences by type and tardiness.
- (b) Maintain all support documentation including doctors' notes, leave requests and jury duty notices for each employee.
- (c) All original time and attendance records must be adequately safeguarded, retained and organized in a manner that will ensure prompt retrieval.

8.3 Payroll Records

All payroll office records used for the review, reconciliation and adjustment of payrolls must be maintained and updated in secure, well defined files in accordance with agency records retention policies.

9.0 INTERNAL AUDIT AND PRE-AUDIT REQUIREMENTS

9.1 Internal Audit and Review of the Payroll Process

The agency's internal audit and review of the various elements of the payroll process is an integral part of the internal controls over this function. Internal audits and reviews must be conducted on an ongoing basis by the internal agency audit staff or others who are independent of the audited function.

9.1.1 Audit Checklist Review. Agency internal audit staff must review all aspects of the payroll process at least once a year. The effectiveness of agency internal controls and procedures for payroll can be assessed using audit checklists such as the one provided in Comptroller's Internal Control and Accountability Directive 1, *City Manager Financial Integrity Statement*, dated July 15, 1997.

9.1.2 Floor Checks and Surprise Visits. Using techniques similar to those described in §4.6 *Monitoring, Review and Supervision of the Timekeeping Process*, agency internal audit or other review staff must periodically review agency timekeeping and paycheck distribution processes. The element of surprise afforded by unannounced floor checks is a critical step in the internal audit process. This is the most effective way to find unauthorized, fraudulent and/or otherwise improper wage and salary payments. Floor checks are especially important for widely dispersed Work Units and field employees.

9.2 Pre-Audit Responsibilities

Under the New York City Charter, each agency must pre-audit its payroll. In addition to the reconciliation and verification procedures required by §6.0, the payroll or personnel department, as appropriate, must complete and pre-audit the following forms before on-line entry or hand delivery to OPA:

- (a) Stop Check Forms (Form PRS-710) - (manual entry)
- (b) Check Refund Form (FISA PMSF Form 09C) - (manual entry)
- (c) Employee Address Information Form (FISA PMSF Form 04) - (on-line entry)
- (d) New Appointment Form (FISA PMSF Form 01) - (on-line entry)
- (e) Employee Update Form (FISA PMSF Form 02) - (on-line entry)
- (f) Job Appointment Form (FISA PMSF Form 46) - (on-line entry)

ATTACHMENT A

**PMS TRAINING COURSES
PROVIDED BY THE
OFFICE OF PAYROLL ADMINISTRATION**

Provided Quarterly:

Course 2A: Basic PMS Personnel
Course 2B: Basic PMS Timekeeping
Course 2C: Basic PMS Payroll
Course 3A: PMS Personnel Maintenance
Course 3B: PMS Timekeeping Maintenance
Course 3C: PMS Payroll Maintenance
Course 4A: Advanced PMS Retro 160

Provided Twice a Year:

Course 4B: EFT- Net Pay

Provided Annually:

Course 1B: W-2's: Process and Correction

NOTE: Course dates, and additional details can be obtained from OPA by contacting the training center at (212) 442-3287.