

AUDIT REPORT



CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF MANAGEMENT AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

Audit Report on the Financial Practices Of the Independent Budget Office

ME04-076A

June 18, 2004



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
1 CENTRE STREET
NEW YORK, N.Y. 10007-2341

WILLIAM C. THOMPSON, JR.
COMPTROLLER

To the Citizens of the City of New York

Ladies and Gentlemen:

In accordance with the Comptroller's responsibilities contained in Chapter 5, § 93, of the New York City Charter, my office has reviewed the controls over timekeeping, payroll, purchasing and inventory operations of the Independent Budget Office (IBO).

The results of our audit, which are presented in this report, have been discussed with IBO officials, and their comments have been considered in the preparation of this report.

Audits such as this provide a means of ensuring that City resources are used effectively, efficiently, and in the best interest of the public.

I trust that this report contains information that is of interest to you. If you have any questions concerning this report, please e-mail my audit bureau at audit@comptroller.nyc.gov or telephone my office at 212-669-3747.

Very truly yours,

A handwritten signature in cursive script that reads "William C. Thompson, Jr.".

William C. Thompson, Jr.
WCT/fh

Report: ME04-076A
Filed: June 18, 2004

Table of Contents

AUDIT REPORT IN BRIEF 1
 Audit Findings and Conclusions 1
 Audit Recommendations..... 1
INTRODUCTION 3
 Background 3
 Objective 3
 Scope and Methodology..... 3
 Discussion of Audit Results..... 5
FINDINGS AND RECOMMENDATIONS 6
 Adequate Segregation of Duties 6
 IBO Adequately Safeguarded Its Physical Assets 7
 Recommendation..... 7
 IBO Used the Correct Object Codes When Making Purchases..... 7
 Bids Were Sufficiently Solicited 7
 Recommendation..... 8
 Lack of Purchase Requisitions 8
 Recommendation..... 8
 Imprest Fund and Miscellaneous Voucher Issues..... 9
 Recommendation..... 9
 Timekeeping Weaknesses..... 9
 Recommendation..... 10
 One Employee Not Paid Within the Salary Range of
 The Civil Service Title 11
 Recommendation..... 11

*The City of New York
Office of the Comptroller
Bureau of Management Audit*

**Audit Report on the
Financial Practices of the
Independent Budget Office**

ME04-076A

AUDIT REPORT IN BRIEF

This audit of the financial practices of the Independent Budget Office (IBO) determined whether the agency has adequate controls over its timekeeping, payroll, purchasing, and inventory operations. IBO is a publicly funded agency established in 1996 to enhance official and public understanding of the New York City budget, the largest municipal budget in the country. In Fiscal Year 2003, IBO's operating budget was \$2,764,085 including \$2,336,147 for personal services and \$427,938 for other than personal services. During Fiscal Year 2003, IBO employed 12 managerial and 24 non-managerial employees.

Audit Findings and Conclusions

IBO generally had adequate controls over its timekeeping, payroll, purchasing, and inventory practices. Specifically, IBO had adequate segregation of duties for timekeeping, payroll, and purchasing operations. IBO also adequately monitored, accounted for, and properly safeguarded its physical assets, charged purchases to the correct object codes, and sufficiently solicited bids. However, we also identified some weaknesses in IBO's operations. Specifically, we found that IBO:

- did not use a purchase requisition for all purchases;
- did not maintain adequate supporting documentation in the purchase files for some imprest fund and miscellaneous voucher purchases;
- did not have adequate controls over employee daily sign-in sheets; and
- provided one employee a salary that exceeded the salary range for the employee's civil service title.

Audit Recommendations

To address these issues, we make six recommendations, among them that IBO should:

- Prepare and maintain a purchase requisition, or a similar document, for each purchase.

- Ensure that invoices and receipts are consistently obtained and maintained in the purchase files for imprest fund and miscellaneous voucher purchases.
- Maintain a daily timekeeping system to record the attendance, absence, or tardiness of all non-managerial employees.
- For the employee whose salary is not within the civil service title limit, adjust the employee's salary or transfer the employee to a civil service title with a salary range encompassing the current pay level.

INTRODUCTION

Background

The New York City Independent Budget Office is a publicly funded agency established in 1996 to enhance official and public understanding of the New York City budget, the largest municipal budget in the country. IBO accomplishes its mission by providing non-partisan budgetary, economic and policy analysis for the residents of the City and their elected officials. IBO's principal users are the Public Advocate, the members and committees of the City Council, the Borough Presidents, the City's 59 community boards, the media, and the civic and community organizations of New York.

In Fiscal Year 2003, IBO's operating budget was \$2,764,085, including \$2,336,147 for personal expenses and \$427,938 for other than personal services. During Fiscal Year 2003, IBO employed 12 managerial and 24 non-managerial employees.

As a City agency, IBO must adhere to City rules for procurement, inventory, timekeeping, and payroll operations. In Fiscal Year 2003, rules governing agencies' handling of procurements were found in the City's Procurement Policy Board (PPB) Rules and Comptroller's Directives #1, #3, #6, #24, and #25 relating, respectively, to internal controls, imprest funds, miscellaneous agency expenses, purchasing, and miscellaneous vouchers. (On April 15, 2004, a revised Directive #24 was issued that modified Directive #24 and replaced Directive #25.) Rules relating to inventory operations are presented in the Department of Investigation *Standards for Inventory Control and Management*.

Rules governing agencies' timekeeping and payroll operations are presented in Comptroller's Directive #13, Payroll Procedures. The Payroll Management System (PMS) operated by the Office of Payroll Administration maintains time and leave records, posts accruals and deductions, stores employee history information, calculates pay, and generates checks or electronic transfers on a weekly or biweekly basis.

Objective

The objective of this audit was to determine whether the Independent Budget Office has adequate controls over its timekeeping, payroll, purchasing, and inventory operations.

Scope and Methodology

The period covered by this audit was July 1, 2002, through June 30, 2003 (Fiscal Year 2003).

To gain an understanding of IBO's controls over timekeeping, payroll, and purchasing operations, we interviewed IBO officials and conducted a walk-through of its timekeeping, payroll, and purchasing operations. We also reviewed the IBO *Staff Manual*, which covers timekeeping and payroll, as well as imprest fund and miscellaneous voucher purchases. In

addition, we reviewed IBO’s Fiscal Year 2003 response to Comptroller’s Directive #1 (an internal control questionnaire that City agencies are required to complete annually).

To determine whether IBO’s controls over its timekeeping and payroll functions complied with its *Staff Manual* and Comptroller’s Directive #13, Payroll Procedures, we reviewed IBO timekeeping and payroll records for 11 randomly selected employees for April 1 through June 30, 2003, which provided the most recent documentation within the scope period. We reviewed time sheets and leave forms for proper approvals. We compared time sheets, leave forms, and Employee Time Reports (ETRs) to Payroll Management System (PMS) data.

To determine whether IBO employees were receiving salaries that were within the salary ranges of their civil service titles, we compared employee salaries to the minimum and maximum salary amounts for these titles as specified in the City Career and Salary Plan.

To determine whether IBO had adequate internal controls over purchasing operations, we compared its practices to Directive #3 (imprest funds), Directive #6 (miscellaneous agency expenses), Directive #24 (purchasing), Directive #25 (miscellaneous vouchers), and PPB Rules § 3-08 (small purchases). In Fiscal Year 2003, IBO made 268 purchases (including 256 purchase orders, 10 imprest fund vouchers, and two miscellaneous vouchers) totaling \$340,055. We randomly selected a sample of 15 payment vouchers out of the 104 purchases that exceeded \$250. This sample included two of the 10 imprest fund vouchers. In addition, we judgmentally selected the one miscellaneous voucher that exceeded \$250. For these 16 purchases, we reviewed all supporting documentation, including purchase requisitions, bid documentation, purchase orders, invoices, receiving reports, and payment vouchers. Table I, below, lists individual categories of purchases and the corresponding sample we selected and examined.

Table I
Fiscal Year 2003 Purchases Valued at \$250 or more

Purchase Category	Population		Sample	
	Number of Purchases	Dollar Amount	Number of Purchases	Dollar Amount
Purchase Orders	93	\$318,095	13	\$57,690
Imprest Fund Vouchers	10	\$7,873	2	\$1,718
Miscellaneous Vouchers	1	\$345	1	\$345
Total	104	\$326,313	16	\$59,753

To determine whether IBO, in accordance with the Department of Investigation *Standards for Inventory Control and Management*, properly monitors, accounts for and adequately safeguards its physical assets, we requested inventory records and conducted an inventory count of items located at 15 randomly selected workstations. We also checked to see if inventory items at these workstations were each identified with a tag and a serial number.

The results of the above tests, while not statistically projected to their respective populations, provide us with a reasonable basis to assess IBO's controls over its timekeeping, payroll, purchasing, and inventory operations.

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of the records and other auditing procedures considered necessary. This audit was performed in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, § 93, of the New York City Charter.

Discussion of Audit Results

The matters covered in this report were discussed with IBO officials during and at the conclusion of this audit. A preliminary draft report was sent to IBO officials on April 27, 2004, and was discussed at an exit conference held on May 5, 2004. On May 14, 2004, we submitted a draft report to IBO officials with a request for comments. We received a written response from IBO on May 21, 2004.

In its response, IBO generally agreed with the audit's findings and recommendations and stated, in part:

“The report is very helpful to IBO in examining its procedures and practices and helping us maintain the highest level of fiscal integrity. We are pleased that the Comptroller has found that IBO maintains satisfactory controls over its timekeeping, payroll, purchasing and inventory practices.”

The full text of the IBO response is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

IBO generally had adequate controls over its timekeeping, payroll, purchasing, and inventory practices. Specifically, we found that IBO:

- had adequate segregation of duties for its timekeeping, payroll, and purchasing operations;
- appropriately monitored, accounted for, and safeguarded its physical assets;
- charged purchases to the correct object codes; and
- sufficiently solicited bids.

However, we did identify some weaknesses in IBO's timekeeping, payroll, purchasing, and inventory operations. Specifically, we found that IBO:

- did not use a purchase requisition for all purchases;
- did not maintain adequate supporting documentation in the purchase files for some imprest fund and miscellaneous voucher purchases;
- did not have adequate controls over employee daily sign-in sheets; and
- provided one employee a salary that exceeded the salary range for the employee's civil service title.

These findings are discussed in more detail in the following sections of the report.

Adequate Segregation of Duties

IBO had adequate segregation of duties for its timekeeping, payroll, and purchasing operations.

Comptroller's Directive #1 (internal controls) states:

“To minimize the possibility of inefficiency, errors, and fraud, responsibility for a sequence of related operations should be divided among two or more persons. . . . In essence, key duties and responsibilities in authorizing, processing, recording, reviewing transactions, and safeguarding assets should be separated among individuals.”

To determine whether IBO complied with this standard, we reviewed timekeeping, payroll, and purchasing documentation to determine which employees generally carried out these functions. While the timekeeper prepared ETRs and entered time and leave data in PMS, another employee generally handled the payroll distribution function. In addition, while the person responsible for procurement handled the purchasing function, another employee generally prepared the receiving report and the payment voucher. Accordingly, we concluded that IBO had adequate segregation of duties over its timekeeping, payroll, and purchasing functions.

IBO Adequately Safeguarded Its Physical Assets

Our review of the controls over its physical assets revealed that IBO adequately monitored, accounted for, and safeguarded these assets. We requested inventory records and conducted an inventory count of 45 items, such as computers and printers, located at 15 randomly selected workstations (out of a total of 39 workstations). We also checked to see if the inventory items at these 15 workstations were each identified with a tag and a serial number. IBO maintained an inventory list of items that were valued at \$250 or more. We were able to account for all 45 items identified on the inventory list. In addition, each of the 45 items was identified with a tag and a serial number. However, we found two television sets in two workstations that were not on the inventory list.

Recommendation

1. IBO should ensure that all significant equipment above its \$250 threshold is included on its inventory list.

IBO Response: “The two television sets have been added to the inventory list.”

IBO Used the Correct Object Codes When Making Purchases

Our examination of IBO records revealed that the IBO purchasing staff used the correct object codes for its expenses.

Comptroller’s Directive #24, § 8.49, stated in part:

“The reviewer should examine the accounting and budget codes used to determine that they are correct—the proper fund should be charged.”

The City’s Chart of Accounts lists the object codes to be used for specific expenditures. If goods or services being purchased do not fall into the categories that are specifically identified, agencies may use “general” object codes within each general category. The use of the correct object code is important, because it allows the agency to categorize the type and amount of a particular expense item within a fiscal year. The use of incorrect budget codes can compromise management’s ability to properly plan future budgets.

To determine whether IBO complied with Directive #24, we examined the specific accounts that IBO had charged its expenditures for all of the 16 vouchers sampled. Our examination revealed that the IBO purchasing staff used the correct object codes for the sampled purchases.

Bids Were Sufficiently Solicited

Our review of IBO purchasing files found that two of the 16 sampled purchases required bid solicitations because the amount of the purchase order exceeded the \$5,000 threshold above which written or oral bid solicitations were required. According to § 3-08 of the PPB Rules,

when a purchase exceeds \$5,000 but is less than the small-purchase limit, agencies must solicit bids (either oral or written) from at least five vendors, and at least two of them must be responsive. For each of the sampled purchases exceeding \$5,000, IBO received at least two bids. However, IBO solicited at least five bids for only one of these two purchases. For the other purchase (of economic forecasting services for \$24,845), IBO only solicited two bids. IBO officials claimed that they had been able to identify only two companies that provided specialized economic forecasting services for New York City. An IBO official stated that they have recently identified a third economic forecasting company from which bids will be solicited.

Recommendation

2. IBO should make further efforts to identify additional economic forecasting companies from which to solicit bids.

IBO Response: “IBO will solicit bids from any such vendors. The number of vendors providing the type of forecast required by IBO is extremely limited. In the year prior to the audit, IBO had identified only three vendors nationwide which were able to meet the bid requirements and solicited bids from all three. Two of these vendors subsequently merged and no new vendors were identified as qualified for the year audited. In the current year, we identified a new potential vendor and three bids were solicited. IBO continues to survey the market in order to identify new vendors capable of providing the services required.”

Lack of Purchase Requisitions

IBO did not always use purchase requisitions to support purchase orders. It had no purchase requisitions in the purchasing files for six of the 13 purchase orders we reviewed.

Comptroller’s Directive #24, § 4.0, stated:

“It is recommended that the purchasing cycle start with the preparation of an internal requisition for all purchases, regardless of the amount.”¹

The purchasing files for seven of the 13 sampled purchase orders contained informal purchase requisitions (such as e-mail messages). Purchase requisitions provide a permanent reference source to facilitate the review of purchase orders and the approval of payment vouchers, and provide some of the specifications that are needed in developing the purchase orders.

Recommendation

3. IBO should prepare and maintain a purchase requisition, or a similar document, for each purchase as recommended by Directive #24.

¹ The new Directive #24 issued on April 15, 2004, states: “It is recommended that agencies use Requisitions to pre-encumber funds for purchases from external vendors. . . . Requisitions are required when a purchase is expected to exceed the micro-purchase limits, currently set at \$5,000.”

IBO Response: “IBO does, and will continue to, comply with Directive #24’s requirement for requisitions for all procurements over the micro-purchase limit. For micro-purchases, requisitions are recommended but not required and IBO believes that its current review and approval procedures, coupled with FMS and the segregation of duties, serve as strong controls: for example, purchase orders entered into FMS are linked directly to the agency budget; only the ACCO can approve purchase orders; approval of payment requires approval by two persons other than the ACCO. We do not believe that having the ACCO produce an additional document prior to the purchase order would add any significant control. However, where additional information, such as specifications, are needed, documentation such as that recommended by the auditors is produced prior to the purchase order, as noted in the audit.”

Auditors’ Comments: We continue to believe that by documenting purchase requests for specific goods and services, requisitions facilitate the preparation, review, and approval of purchase orders and payment vouchers.

Imprest Fund and Miscellaneous Voucher Issues

Imprest fund purchases are agency-controlled checking accounts that can be used for small purchases of less than \$250, as well as for petty cash. IBO lacked proper documentation to support some of its imprest fund purchases. We reviewed 19 purchases that related to two imprest fund vouchers. For one purchase, there was no receipt, and for another purchase there was no invoice in the purchase file. For the latter purchase, the invoice was provided to us during our exit conference with IBO.

Miscellaneous vouchers are used in situations in which agencies cannot pre-determine the amount that will be spent on a purchase or in which the use of a purchase order or an advice of award is not required or applicable. We reviewed the only miscellaneous voucher that exceeded \$250. For this purchase, there was no receipt in the purchase file. However, the receipt was provided to us during our exit conference with IBO.

Recommendation

4. IBO should ensure that invoices and receipts are consistently obtained and maintained in the purchase files for imprest fund and miscellaneous voucher purchases.

IBO Response: “IBO agrees and will redouble its efforts to remind all persons reviewing payments that no payments should be approved without the required paperwork being in the file.”

Timekeeping Weaknesses

IBO did not maintain a daily timekeeping record for its 24 non-managerial employees. Instead, these employees submit self-reported weekly time sheets. This constitutes a control weakness in ensuring that reliable and accurate time records are maintained.

At the beginning of the workweek, all employees are given time sheets in which they can record their daily attendance. At the end of the workweek, the timekeeper collects all completed time sheets and submits them to the employees' supervisors for approval.

The timekeeping function creates the primary time records that are used to determine the salary and wages paid to employees. According to Comptroller's Directive #13, § 4.1, a fundamental timekeeping principle is that attendance, absence, and tardiness be recorded promptly on a daily basis. Additionally, the directive states that "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." Moreover, Directive #13, § 4.2.1, *Payroll Procedures* states,

"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 arrival and departure times can be verified as they are entered by employees."

Daily timekeeping records (e.g., sign-in logs) produce more reliable time records than weekly time sheets that are filled out by the employees. To provide better control over the timekeeping function, IBO should institute a daily timekeeping system whereby arrival and departure times can be verified as non-managerial employees enter them.

Recommendation

5. IBO should maintain a daily timekeeping system to record the attendance, absence, or tardiness of all non-managerial staff members.

IBO Response: "IBO agrees that a daily time keeping system under the physical control of a time keeper would provide an additional check on timekeeping records. However, given the staff and operational constraints of the office, it is not feasible to implement such a system (IBO has only 2 full-time and 1 part-time administrative staff and flexible hours for all employees; it is not practicable to provide coverage spanning the arrival and departure times for its non-managerial professional staff). Nonetheless, IBO is committed to using various alternative controls to ensure compliance with timekeeping rules. IBO employees must record their arrival and departure times on a daily basis and submit timesheets to their supervisors weekly. IBO also utilizes monitoring, review and supervision procedures as stated in Directive #13, including floor checks, regular review of weekly time sheets and leave forms, and use of networked calendars. Any problems are reported immediately to the appropriate supervisor for corrective action."

Auditors' Comments: Even if it is not feasible to provide full administrative and managerial coverage for the daily timekeeping system, we continue to believe that such a system would help ensure the accuracy of the agency's time records.

**One Employee Not Paid
Within the Salary Range of
The Civil Service Title**

The annual salary of one of the office's employees was not within the salary range of the civil service title, as required by DCAS personnel rules. The salary for one Administrative Staff Analyst (M-3) exceeded the maximum salary of \$102,840 for this civil service title by \$5,969.

The City's Career and Salary Plan contains minimum and maximum pay rates for each job title. The purpose of this plan is to provide fair and comparable pay for comparable work. Thus, the minimum and maximum pay rates are an integral part of the plan. IBO should adjust the employee's salary or transfer the employee to a civil service title with a salary range encompassing the current pay level.

Recommendation

6. For the employee whose salary is not within the civil service title limit, IBO should adjust the employee's salary or transfer the employee to a civil service title with a salary range encompassing the current pay level.

IBO Response: "During the first week of the current fiscal year (prior to the commencement of the audit), a review of all employees determined that, as noted by the auditors, one employee was outside of the salary range for the assigned managerial level. This was corrected at that time."

Auditors' Comments: Although IBO indicated that the salary range issue was corrected during the first week of Fiscal Year 2003, the IBO payroll list provided to the auditors on July 23, 2003 still indicated that this employee was outside of the salary range for the assigned managerial level.



Ronnie Lowenstein
DIRECTOR

THE CITY OF NEW YORK
INDEPENDENT BUDGET OFFICE
110 WILLIAM STREET, 14th FLOOR
NEW YORK, NEW YORK 10038
(212) 442-8615 Fax (212) 442-0350
Email: ronnie1@ibo.nyc.ny.us

ADDENDUM
Page 1 of 3

May 19, 2004

Mr. Greg Brooks
Deputy Comptroller for Policy, Audits, Accountancy & Contracts
Office of the Comptroller
One Centre Street
New York, New York 10007

Re: Audit Number ME04-076A

Dear Mr. Brooks:

I have reviewed the draft Audit Report of the Financial Practices of the Independent Budget Office. The report is very helpful to IBO in examining its procedures and practices and helping us maintain the highest level of fiscal integrity.

We are pleased that the Comptroller has found that IBO maintains satisfactory controls over its timekeeping, payroll, purchasing and inventory practices. Regarding those few areas where the auditors found weaknesses, we address each of the specific recommendations in the attached document.

I appreciate your staff's professionalism and cooperation throughout the audit process.

Sincerely,

Ronnie Lowenstein

IBO RESPONSE
TO THE DRAFT AUDIT REPORT OF THE
FINANCIAL PRACTICES OF THE INDEPENDENT BUDGET OFFICE
AUDIT NUMBER ME04-076A

1. IBO should ensure that all significant equipment above its \$250 threshold is included in its inventory list.

Response: The two television sets have been added to the inventory list.

2. IBO should make further efforts to identify additional economic forecasting companies from which to solicit bids.

Response: IBO will solicit bids from any such vendors. The number of vendors providing the type of forecast required by IBO is extremely limited. In the year prior to the audit, IBO had identified only three vendors nationwide which were able to meet the bid requirements and solicited bids from all three. Two of these vendors subsequently merged and no new vendors were identified as qualified for the year audited. In the current year, we identified a new potential vendor and three bids were solicited. IBO continues to survey the market in order to identify new vendors capable of providing the services required.

3. IBO should prepare and maintain a purchase requisition, or similar document, for each purchase as recommended by Directive #24.

Response: IBO does, and will continue to, comply with Directive #24's requirement for requisitions for all procurements over the micro-purchase limit. For micro-purchases, requisitions are recommended but not required and IBO believes that its current review and approval procedures, coupled with FMS and the segregation of duties, serve as strong controls: for example, purchase orders entered into FMS are linked directly to the agency budget; only the ACCO can approve purchase orders; approval of payment requires approval by two persons other than the ACCO. We do not believe that having the ACCO produce an additional document prior to the purchase order would add any significant control. However, where additional information, such as specifications, are needed, documentation such as that recommended by the auditors is produced prior to the purchase order, as noted in the audit.

4. IBO should ensure that invoices and receipts are consistently obtained and maintained in the purchase files for imprest fund and miscellaneous voucher purchases.

Response: IBO agrees and will redouble its efforts to remind all persons reviewing payments that no payments should be approved without the required paperwork being in the file.

5. IBO should maintain a daily timekeeping system to record the attendance, absence, or tardiness of all non-managerial staff members.

IBO agrees that a daily time keeping system under the physical control of a time keeper would provide an additional check on timekeeping records. However, given the staff and operational

constraints of the office, it is not feasible to implement such a system (IBO has only 2 full-time and 1 part-time administrative staff and flexible hours for all employees; it is not practicable to provide coverage spanning the arrival and departure times for its non-managerial professional staff). Nonetheless, IBO is committed to using various alternative controls to ensure compliance with timekeeping rules. IBO employees must record their arrival and departure times on a daily basis and submit timesheets to their supervisors weekly. IBO also utilizes monitoring, review and supervision procedures as stated in Directive #13, including floor checks, regular review of weekly time sheets and leave forms, and use of networked calendars. Any problems are reported immediately to the appropriate supervisor for corrective action.

6. For the employee whose salary is are not within civil service title limits, IBO should adjust the employee's salary or transfer the employee to civil service titles with a salary range encompassing the current pay level.

Response: During the first week of the current fiscal year (prior to the commencement of the audit), a review of all employees determined that, as noted by the auditors, one employee was outside of the salary range for the assigned managerial level. This was corrected at that time.