



CITY COUNCIL AGENDA REPORT

MEETING DATE: OCTOBER 18, 2011

ITEM NUMBER:

SUBJECT: RESULTS OF PAYROLL AUDIT CONDUCTED BY LANCE, SOLL, LUNGHARD, LLP

DATE: OCTOBER 11, 2011

FROM: FINANCE DEPARTMENT /FINANCE ADMINISTRATION

PRESENTATION BY: BOBBY YOUNG, FINANCE AND I.T. DIRECTOR

**FOR FURTHER INFORMATION CONTACT: BOBBY YOUNG, FINANCE AND I.T. DIRECTOR
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RECOMMENDED ACTION

Receive and file results of payroll audit and consider staff responses to the findings noted by Lance, Soll, Lunghard, LLP.

BACKGROUND

As part of the FY 11-12 annual budget, City Council approved funding for an audit firm to review the City's policies and procedures over Payroll. This review was to help ensure the City is paying employees correctly based on current contracts and the amounts reported on the Employee Compensation report are fair and accurate. Staff subsequently issued the RFP and received responses from three qualified firms. Upon completing an interview of each firm and determining their availability to complete such a review on the City's schedule, staff recommended selecting the firm of Lance, Soll, Lunghard, LLP (LSL).

ANALYSIS

LSL began three weeks of field work on August 15. They selected 50 employees and each member of City Council to test payroll transactions within the last calendar year (2010). This sample was determined using a risk based approach with factors including the degree of complexity, level of compensation and the potential for fraud. LSL also selected employees from the executive group and each of the bargaining groups. Their tests covered a review of personnel files and hiring documents, Memorandum of Understandings (MOU's), side letter of agreements, timecards, paychecks, pay journals, leave balances, labor distributions, W-2 reporting, and verification of internal control policies and procedures governing payroll transactions. In addition, LSL tested the accuracy of the employee's total pay exclusive of pensions as reported in the 2010 Employee Compensation Report for the sample referenced above.

Attachment 1 is a copy of the final report issued by LSL noting the scope of their testwork and the results to four (4) specific procedures. Attachment 2 are responses by staff to the findings noted by LSL after the completion of testwork.

ALTERNATIVES CONSIDERED

Staff has not considered any alternatives at this time.

FISCAL REVIEW

Based on the recommendation action, there is no fiscal impact at this time.

LEGAL REVIEW

A legal review is not required for the recommended action.

CONCLUSION

The City contracted with auditors Lance, Soll, Lunghard, LLP to conduct a review of the City's policies and procedures over Payroll. This review was to help ensure the City is paying employees correctly based on current contracts and the amounts reported on the Employee Compensation report are fair and accurate. Based on the final report (Attachment 1), the findings are limited. However, staff believes each of the findings should be considered and therefore prepared responses to each for the City Council to consider.

BOBBY YOUNG
Finance and I.T. Director

Attachment(s): 1 – [Independent Accountants' Report on Agreed-Upon Procedures on the Internal Control Policies and Procedures over Payroll](#)
 2 – [Memo from Finance and I.T. Director Bobby Young, responding to findings determined by Lance, Soll, Lunghard, LLP.](#)