

AUDIT REPORT TRACKING SYSTEM (ARTS)

SECTION I: SUMMARY INFORMATION			
Audit Title:	Retroactive Pay Adjustments: Employees Deserve Timely Pay Increases	Audit Release Date:	08/26/2019
Department:	Human Resources & Finance	Last Report Date:	First ARTS Report
Department Director:	Teri Casey/Tammy Queen	This Report Date:	02/10/2020
Contact Person/Phone:	Tom Briggs / 3-1901	Expected Presentation Date:	02/19/2020
SECTION II: RECORD OF IMPLEMENTED RECOMMENDATIONS			
1. Implemented 11/10/2019		3. Implemented 11/10/2019	
2. Implemented 11/10/2019		4. In progress	
SECTION III: SUMMARY OF IMPLEMENTATION EFFORTS			
Recommendation 1: The director of human resources should ensure employees who do not receive timely performance appraisals receive their merit pay increase timely.			
<i>Status of Recommendation: Implemented</i>			
<ul style="list-style-type: none"> - On October 16, 2019, the Human Resources Department sent a notification to all Department Directors, Human Resource Liaisons and departmental payroll staff of the revised operating procedures for processing merit increases (see attached). - On November 10, 2019, the new procedures went into effect: <ul style="list-style-type: none"> o Human Resources Department enters merit increases on employee's pay anniversary date even if the department had not provided an annual performance review for the employee. o Individuals receiving a timely annual performance review with an overall rating mark of "fails to meet expectations" or "failed to meet overall expectations" do not receive a merit increase and normal rules apply. o Stress to departments the importance of on-going performance feedback and timely submittal of annual performance reviews. - This process has all but eliminated retroactive pay calculations due to untimely performance appraisals and employees are receiving their merit pay increases timely. - The process has also greatly reduced the amount of paperwork required by departments and the likelihood of miscalculations in retroactive pay (see recommendation 3 below). 			
Recommendation 2: The director of human resources should identify employees whose worker's compensation payments were underpaid and establish a method to communicate with the city's worker's compensation contractor when an employee's pay is adjusted due to a retroactive pay adjustment.			
<i>Status of Recommendation: Implemented</i>			
<ul style="list-style-type: none"> - The Human Resources Department and the City's worker's compensation office have established a process to determine if a retroactive pay adjustment affects an employee's worker's compensation payment. - The Human Resources Department will notify the worker's compensation office when an employee receives a retroactive pay adjustment. - The worker's compensation office will determine if the employee was on injury time and if the new salary should have been used to calculate the average weekly wage (the basis for computation of their workers' compensation temporary disability benefit). - If the increase alters the employee's average weekly wage, the worker's compensation office will notify the City's claims administration partner for corrections. 			

Recommendation 3: The director of human resources should develop written instructions and train employees on how to calculate and document retroactive pay adjustments.

Status of Recommendation: Implemented

- The Human Resources and Finance Departments have created a process in which all retroactive pay is calculated and entered by the Finance Department/Payroll Section in order to ensure correct calculations.
- Effective November 10, 2019:
 - o The Human Resources/Classification, Compensation and Records Division, notifies the Finance Department/Payroll Section of all retroactive pay adjustments.
 - o The Finance Department/Payroll Section calculates and enters all retroactive pay adjustments for all departments.
- This process eliminated the need to provide city-wide training and greatly reduces the likelihood of miscalculations of employee pay.
- See attached revised operating procedures notification

Recommendation 4: The director of finance should investigate the possibility of updating the city's current payroll module to calculate retroactive pay adjustments.

Status of Recommendation: Analysis and Review Stage

- While the Finance Department has developed an interim process to calculate employee retroactive pay adjustments which is more efficient, accurate and quicker than prior manual calculations, the Human Capital Management module retroactive pay functionality analysis remains ongoing. If found to be a viable solution, the Finance Department hopes to implement this retroactive pay functionality by August 1, 2020.

SECTION IV: ADDITIONAL OUTCOMES

- Retroactive pay calculations due to late annual performance appraisals have been virtually eliminated.
- Only one retroactive merit increase has been processed since November 10, 2019.
- There has been a five percent (5%) improvement in timely performance appraisal submittals. Currently, 80% of employee performance reviews are being submitted timely.
- Retroactive pay adjustments are still required due to circumstances not related to late performance reviews. Less than 30 retroactive pay adjustments have been processed by Payroll since implementation of the new procedures.