

# City of Stockton, CA

## Payroll Assessment and Process Improvements

**DRAFT REPORT – May 20, 2024**



May 20, 2024

Mr. Jay Kapoor, Deputy City Manager/Interim CFO  
Ms. Queen Gray, Assistant Finance Director  
City of Stockton  
425 N. El Dorado St.  
Stockton, CA 95202

Dear Mr. Kapoor and Ms. Gray:

Baker Tilly is pleased to transmit this draft report of our review of the City's payroll process.

Our report identifies 31 recommendations to improve the payroll process that will enhance services provided to City employees, identify appropriate assignments of various payroll functions between the Administrative Services and Human Resources Departments, and address ways to improve the payroll reporting requirements relative to CalPERS membership and pension contributions on behalf of City employees.

We wish to thank the members of the Payroll division and the Human Resources department that were instrumental in the work performed, and we look forward to reviewing this draft report with you in preparation of finalizing it.

Sincerely,



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## Table of Contents

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<b>Executive Summary .....</b>	<b>4</b>
<b>Background .....</b>	<b>6</b>
Organization of Payroll in Stockton .....	6
Project Approach.....	6
<i>Documents</i> .....	7
<i>Interviews</i> .....	7
<i>Surveys</i> .....	8
<i>Process Mapping</i> .....	8
Organization of This Report .....	8
<b>Employee Survey Results .....</b>	<b>10</b>
Payroll and HR Staff Survey.....	10
Timekeeper Staff Survey .....	12
<b>Process Mapping and Process Improvements .....</b>	<b>14</b>
Process Mapping Sessions and Approach.....	14
New Employee Setup Process .....	15
<i>Onboarding</i> .....	15
<i>Initial Benefits Enrollment</i> .....	16
<i>Direct Deposit</i> .....	17
Employee Changes Process .....	18
<i>Compensation and/or Classification Changes</i> .....	18
<i>Leaves of Absence</i> .....	20
<i>Benefits Open Enrollment</i> .....	21
Payroll Processing.....	21
<i>Payroll Processing Overview</i> .....	22
<i>Reflection on Internal Controls</i> .....	22
<i>Timekeeping</i> .....	24
<i>Accrual/Pay Code Issues</i> .....	25
Separations from Employment Process .....	26
<i>Resignations or Terminations (including initiation of the retirement process)</i> .....	26
<i>Retirement</i> .....	28

*Deceased Employee* ..... 30

**CalPERS Reporting**..... 31

**Other Observations** ..... 32

    Functional Role and Responsibility Assignments ..... 32

    Collaboration Between Payroll and Human Resources..... 33

    Training ..... 34

**Conclusion**..... 36

**Attachment A – List of Recommendations**..... 37

**Attachment B – Process Maps**..... 40

## Tables

---

Table 1.	List of Staff members Interviewed .....	8
Table 2.	Summary of Payroll and HR Staff Survey Results.....	11
Table 3.	Success of Payroll Outcomes .....	11
Table 4.	Summary of Timekeeping Staff Survey Results.....	13
Table 5.	Success of Timekeeping Outcomes .....	13
Table 6.	Payroll-Related Functions and Overall Responsibility Assignment .....	33

## Figures

---

Figure 1.	Department or Division for which HR/Payroll respondent works .....	10
Figure 2.	Department of Division for which Timekeeper respondent works.....	12

## Executive Summary

The City of Stockton recently implemented a new enterprise resource planning (ERP) system that included a new payroll system. With any new system come growing pains. These challenges were exacerbated by turnover in Payroll team staff during the transition. In addition, the City went through a CalPERS audit that identified issues that needed to be addressed.

The confluence of these circumstances led the City to engage Baker Tilly to conduct an independent assessment of payroll processes with an eye toward improving the processes, documenting them to assist current and future staff in understanding how payroll is processed, identifying roles and responsibilities among parties, and taking a fresh look at how the system handles CalPERS compensation and reporting at a high level.

Our work encompassed a review of various documents and reports, interviews with Payroll and HR team members, distribution of an online survey to Payroll, HR, and timekeeping staff in operating departments, and process mapping sessions with Payroll and HR team members to document existing payroll processes and identify opportunities for improvement.

Our analysis identified 31 recommendations to improve the City's payroll process in these areas:

- **System automation and integration.** Increasing the use of electronic forms and approvals to reduce manual processing and ensure timely updates and integration of information into Tyler/Munis.
- **Accuracy and accountability.** Ensuring reviews and approvals are performed timely with a focus on accuracy in advance of finalizing payroll information.
- **Roles and responsibilities.** Assigning clear responsibilities for various payroll-related tasks to specific roles within HR and Payroll.
- **Employee communication and support.** Enhancing communication with employees regarding payroll changes, benefit and retirement options, and providing training and

support to employees and timekeeping staff to improve their understanding and use of payroll systems.

- **Streamlining processes.** Simplifying and streamlining payroll and timekeeping processes to reduce complexity and improve efficiency.
- **Collaboration and continuous improvements.** Strategies to foster collaboration between Payroll and HR to achieve mutual goals and improve employee experience.

We believe that implementation of these recommendations will improve the overall accuracy and effectiveness of the payroll process, and improve the employee experience with Payroll and HR team members.

## Background

### ***Organization of Payroll in Stockton***

The City of Stockton is a full-service city that employs the equivalent of nearly 1,800 full-time employees (FTE) across its 14 departments. Employees are represented by nine bargaining units which operate under memoranda of understanding (MOUs) that guide the compensation and benefits paid to employees. The City's investment in its employees is the largest expenditure for the City, comprising nearly 70% of total non-capital expenditures.

The Administrative Services Department (ASD) oversees the administration of finance and related services such as budget, finance/accounting operations, procurement, debt/treasury and revenue services. The Payroll function is housed within the Finance and Accounting Operations Division of ASD. The City employs five staff dedicated to the processing of payroll comprised of four Finance Assistant I/II/Sr positions that report to a Payroll Supervisor.

While Payroll is the ultimate responsibility of the Administrative Services Department, the proper administration of payroll relies on more than just Payroll staff. Human Resources plays a key role in ensuring various information that is used in the payroll cycle is maintained properly, including such things as new employee setup, benefits administration, and negotiating the memoranda of understanding with employee groups that informs the setup of pay plans and compensation codes within the system.

The Human Resources Department provides necessary information to ensure the timely and accurate processing of payroll. Staff within its Workforce Planning, Onboarding, Benefits and HR Administration divisions all play key roles in the payroll process.

Payroll is processed on a semi-monthly basis (soon to be transitioned to bi-weekly) which converts monthly salary amounts for exempt employees into semi-monthly payments. The City uses Tyler/Munis as its enterprise resource planning (ERP) solution. The system was recently implemented in 2023 for payroll processing.

### ***Project Approach***

The City of Stockton engaged Baker Tilly to review its implementation of a new payroll system, Tyler/Munis, with a focus on the workflows and responsibilities of various staff that administer payroll for the over 800

City employees. The goal was to review its implementation and the resulting processes and provide recommendations on improving the setup and reporting of payroll and ensuring compliance with CalPERS requirements.

To accomplish these objectives, the Baker Tilly team collected data from a variety of sources, including City documents, interviews with key stakeholders, surveys of users, and process mapping workshops.



### **Documents**

We were provided several documents to inform our project. A highlight of the key documents that were provided is as follows:

- Organizational charts for Administrative Services, including Payroll and HR
- Annual budgets for FY 2023 and 2024
- Memoranda of Understanding for all bargaining units
- Various payroll forms and processing documentation, including routing criteria for various payroll-related functions based on the Tyler/Munis payroll system setup
- CalPERS payroll contribution reporting documentation
- Sample payroll reports

### **Interviews**

We interviewed the staff members by position as indicated in Table 1 as part of our work.

Table 1. List of Staff members Interviewed

Administrative Services	Payroll	Human Resources
<ul style="list-style-type: none"> <li>Deputy City Manager</li> <li>Chief Financial Officer</li> <li>Assistant Finance Director - Operations</li> </ul>	<ul style="list-style-type: none"> <li>Payroll Supervisor</li> <li>Sr. Payroll Team members (2)</li> </ul>	<ul style="list-style-type: none"> <li>Human Resources Director</li> <li>Assistant HR Director</li> <li>Deputy HR Director</li> <li>Benefit Supervisor</li> <li>HR Program Manager III</li> </ul>

The purpose of our interviews was to gain an understanding of the payroll process, determine where the pain points were, and to identify opportunities for improvements.

### Surveys

Baker Tilly deployed two surveys to gather feedback from key user groups: HR/payroll staff and timekeepers throughout the organization.

Baker Tilly asked respondents to reflect on payroll processes and describe what is working well and what could use improvements. The results of these surveys are presented in a separate section later in this report.

### Process Mapping

Finally, we conducted several process mapping sessions with Payroll and Human Resources personnel to inform the following business cycles of the payroll process:

- New Employee Setup
- Employee Changes
- Payroll Processing
- Separations from Employment

We created process maps to depict the current processes, and then through engagement with team members identified “to-be” processes based on recommendations to improve the processes. These are discussed later in this report.

### Organization of This Report

Our report is organized into the following sections.

- Employee Survey Results** – Summary of the insights provided by Payroll and HR team members, as well as timekeepers throughout the organization;

- **Process Mapping and Process Improvements** – An overview of the process maps that were developed and the resulting recommendations on ways to improve the workflows in terms of streamlining, sequencing, and assignment of responsibilities;
- **CalPERS Reporting**– Opportunities to improve CalPERS contributions and reporting requirements; and
- **Other Observations** – Observations leading to improvements in the areas of functional role and responsibility assignments, collaboration between Payroll and HR, and training on payroll systems and processes.

## Employee Survey Results

We prepared two separate surveys to engage employees within the organization to provide us insights into the payroll process from their vantage point and areas where improvements could be made. The two surveys were:

1. **Payroll and HR Staff** – this survey focused on overall payroll administration and processes that have a direct impact on the implementation of payroll within the organization.
2. **Timekeepers** – this survey was established to gain insights from those within operating departments that process timecards for their department.

The results are analyzed for each survey separately below.

### ***Payroll and HR Staff Survey***

Figure 1 displays the division of the 29 individuals that responded to the HR/payroll staff survey.

Figure 1. *Department or Division for which HR/Payroll respondent works*

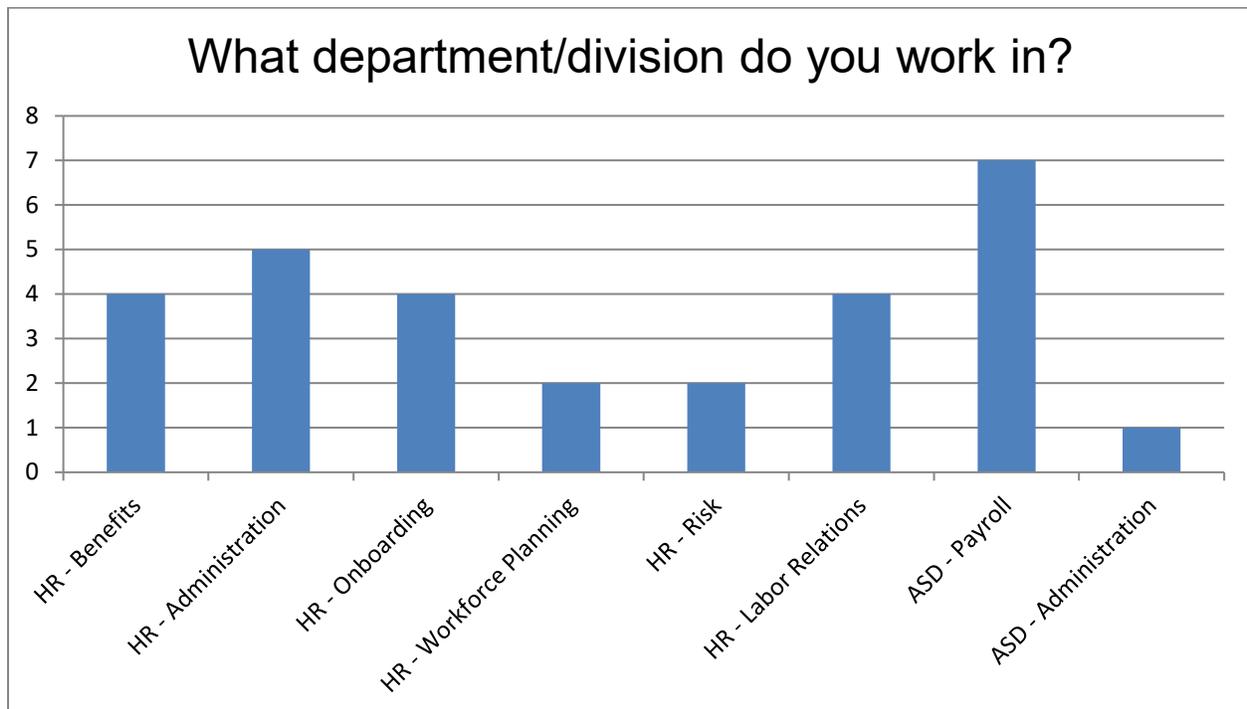


Table 2 presents a summary of the overall input received from Payroll and HR staff that completed the survey.

Table 2. Summary of Payroll and HR Staff Survey Results

Working Well	Needs Improvement
<ul style="list-style-type: none"> <li>• Payments are timely</li> <li>• Direct deposits are convenient</li> <li>• Paystubs are easily accessed</li> <li>• Errors are fixed quickly</li> </ul>	<ul style="list-style-type: none"> <li>• Accrual and pay codes are not input correctly</li> <li>• Receiving payroll data in a timely fashion</li> <li>• Training for user departments</li> <li>• Training for payroll processing staff</li> <li>• Lack of sufficient communication between Payroll and HR</li> <li>• Lack of attention to detail</li> </ul>

Baker Tilly asked respondents to rate a variety of payroll outcomes on a scale of 1-4 from poor (1) to excellent (4). Table 3 shows the average rating for each payroll outcome. Direct deposit received the highest rating from respondents while retirement [specifically, employer-paid member contributions (EMPC) adjustments] received the lowest rating.

Table 3. Success of Payroll Outcomes

Payroll Element	Average Ranking
Direct deposit (initial setup, changes)	2.9
Setting up new employees (onboarding)	2.7
Tax withholdings	2.6
Payroll calculations of compensation (salary, hourly wages, add pays, etc)	2.5
Payroll calculations of tax withholdings	2.4
Payroll impacts of benefits changes (life events for different healthcare coverage)	2.4
Benefits elections/setup for payroll processing	2.4
Separation of employment - final paycheck	2.2
Separation of employment - payout of leave benefits	2.2
Retirement - final compensation reported to CalPERS	2.2
Payroll calculations of benefits deductions (health benefits, CalPERS employee deductions, elective benefits)	2.1
Compensation/classification changes (salary changes, classification changes)	2.1
Timekeeping	1.8
Leave accruals	1.7
Retirement - handling of employer-paid member contributions (EMPC) adjustments	1.2
<b>Total Respondents</b>	<b>22</b>

Throughout the remainder of the survey, we asked respondents to suggest ways to improve various elements of the payroll process. Several themes emerged from these questions as shown below.

1. Establish a clear understanding of accrual codes to aid in the computation of employee pay.
2. Include regular verification steps throughout the process to mitigate errors.
3. Train HR/Payroll staff and departments to ensure everyone has a strong foundational understanding of the processes.
4. Establish clear roles and separation of duties among HR and payroll staff.
5. Streamline Tyler/Munis to create a more user-friendly interface and to improve accuracy.
6. Develop productive communication norms between HR and Payroll.

### ***Timekeeper Staff Survey***

Figure 2 summarizes the department in which the 23 individuals that responded to the timekeeper staff survey are employed. Since ASD and HR were adequately represented in the prior survey, no timekeepers were required to participate from those departments. Fire was the only department that did not respond to the survey.

*Figure 2. Department of Division for which Timekeeper respondent works*

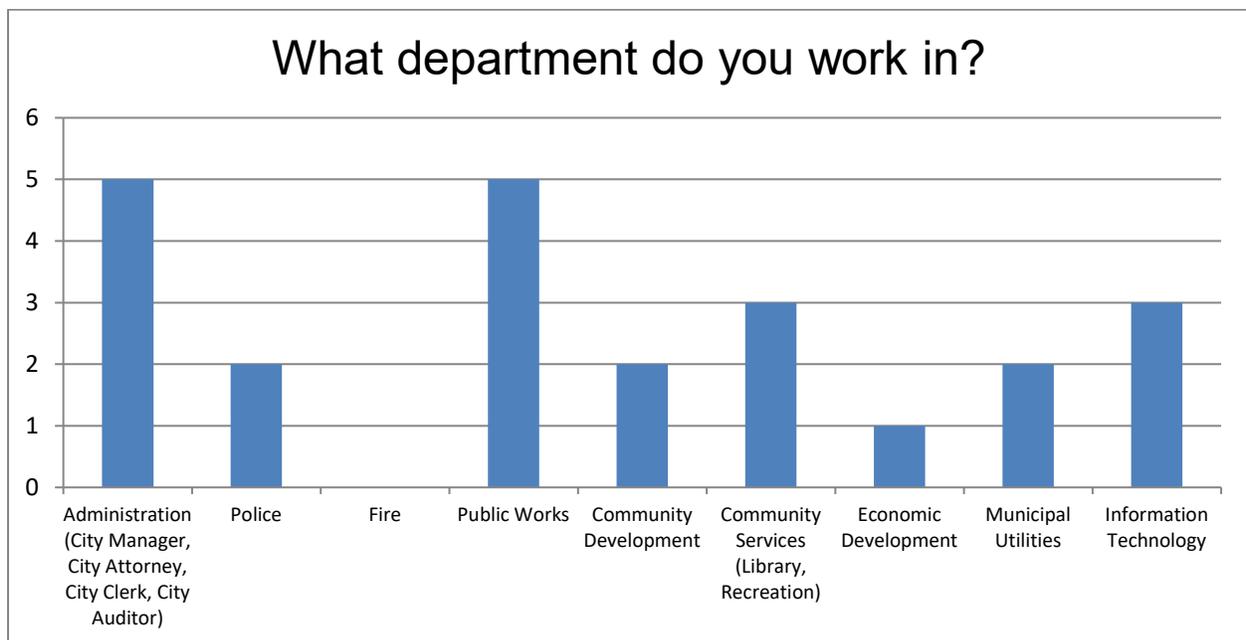


Table 4 presents a summary of the overall input received from timekeeping staff that completed the survey.

Table 4. Summary of Timekeeping Staff Survey Results

Working Well	Needs Improvement
<ul style="list-style-type: none"> <li>Schedules populate correctly</li> <li>Access to accruals is convenient</li> <li>Approvals workflow and access by supervisors is convenient</li> </ul>	<ul style="list-style-type: none"> <li>Inaccurate hours summary totals within the payroll system</li> <li>Multiple entries required for different pay codes</li> <li>Tyler/Munis interface is difficult to navigate and enter information</li> </ul>

Baker Tilly asked respondents to rate a variety of timekeeping outcomes on a scale of 1-4 from poor (1) to excellent (4). Table 5 shows the average rating for each payroll outcome. Time schedule setup received the highest rating from respondents while payroll reporting received the lowest rating from respondents.

Table 5. Success of Timekeeping Outcomes

Timekeeping Element	Weighted Average
Time schedule setup	2.4
Employee input of their time	2.3
Review/approval of timesheets	2.2
Making edits after timesheets have been submitted	1.7
Payroll reporting (e.g., timesheets completed, open items, summaries of overtime or leaves, etc.)	1.4
Total respondents	12

We also asked respondents to suggest ways to improve the timekeeping process. The common themes that emerged from timekeepers were:

1. Troubleshooting and accuracy are consistent challenges.
2. Communication between Payroll, HR and departments is a challenge and not clearly defined.
3. Training would improve timekeepers proficiency in using the system and reducing errors.
4. Approval workflow and review processes can be streamlined.
5. System functionality and interface needs to be reviewed with department staff in mind.
6. Scheduling and work week issues will occasionally occur.
7. Report generation and customization can be improved with proper training and support.

The results from these surveys and the HR/Payroll staff survey inform our recommendations in the following sections.

## Process Mapping and Process Improvements

### ***Process Mapping Sessions and Approach***

Baker Tilly conducted two process mapping sessions – the first in early December 2023 and the second in late January 2024. Due to scheduling issues, the sessions were primarily conducted separately with Payroll staff and then with HR staff, with a joint meeting at the end of the second session.

During the first session, the City walked Baker Tilly through the current (“as-is”) processes for the four primary cycles of payroll processing that represent the life cycle of a person’s employment with the City:

1. **New employee setup**, which includes:
  - a. Onboarding,
  - b. Initial benefits enrollment and elections, and
  - c. Direct deposit signup;
2. **Employee changes**, which includes:
  - a. Compensation and classification changes,
  - b. Leaves of absence, and
  - c. Benefits open enrollment;
3. **Payroll processing**, from timekeeping to paying employees and deduction vendors; and
4. **Separations from employment**, which includes:
  - a. Resignations and/or terminations,
  - b. Retirement, and
  - c. Deceased during employment.

Baker Tilly documented these processes in flow charts with swim lanes that represent different actors throughout the process. These swim lanes help to identify workload, sequencing, and interactions that are necessary between operating departments, HR and Payroll in order to accomplish the payroll process.

During the second session, Baker Tilly and city staff discussed process improvements which led to the creation of future (“to-be”) process maps of the four cycles.

The resulting process maps are attached to this report as Attachment B and were provided to in digital format to the City upon issuance of this report. The recommendations outlined in this report are based on the results of these process mapping sessions.

Our analysis is organized based on each business cycle listed above.

## ***New Employee Setup Process***

The first process is the new employee setup process, which includes three sub-cycles:

1. **Onboarding** – this is the process which starts after the recruitment process is completed and the selected candidate is provided an offer of employment and has accepted the offer. It includes the process from getting them entered into the system to preparing payroll for their first payroll period for payment.
2. **Initial benefits enrollment** – this presents the process that stems from the orientation process through election of their various benefits packages to which they are eligible based on the MOU that represents their position.
3. **Direct deposit** – most employees elect to get paid by using direct deposit (although not mandated). This process documents the workflows from the employee's completion of a direct deposit authorization (DDA) through updating their payroll record for future payments.

Each of these sub-cycles are discussed below with accompanying recommendations manifested in their respective “to-be” process maps.

### **Onboarding**

This cycle starts with HR Onboarding establishing the employee record in Tyler/Munis, and then requires the operating departments to assign the appropriate employee position. Once reviewed and approved by the department, HR Benefits will assign leave accruals for the employee based on their MOU. HR Workforce Planning then reviews and approves the employee record to ensure consistency with the planned filling of the authorized position already entered within the Tyler/Munis system during recruitment. The employee record is then routed to HR Onboarding and the HR Director to review and approve the new employee setup. At this point the employee is then allowed to select their benefits (see next sub-cycle). Payroll and the department timekeepers are notified by the system that the employee is set up in the system and ready for payroll processing. If the employee negotiated front-loaded leave or a sign-on bonus, Payroll will enter that information after the employee is set up.

This process demonstrates proper segregation of duties and internal controls to ensure that the new employee is properly setup in the system and represents a bona fide payroll record before first payroll. However, one sequencing element that can cause issues is when Payroll codes the

front loaded leave and/or sign on bonuses in the system. That should occur prior to the HR Onboarding and HR Director review to improve internal controls.

**Recommendation 1. Require Payroll to enter payroll codes for front-loaded leave and/or sign-on bonuses for new employees prior to HR Onboarding and HR Director review and approval.**

### **Initial Benefits Enrollment**

This cycle is a continuation of the Onboarding cycle. Once the employee record is set up in the system, HR Onboarding will conduct the new employee orientation. The first step requires the employee to provide federal and state withholding certificates and DDAs if they elect direct deposit. This paperwork is prepared manually, collected and walked to Payroll and placed in their inbox. HR Benefits will then collect other information regarding deferred comp and CalPERS reciprocity paperwork and enter the appropriate information into Tyler/Munis. This populates the Employee Self-Service (ESS) system and is ready for the employee to finalize their benefits elections. The employee's elections are reviewed by HR Benefits and then reviewed by Payroll to determine if any discrepancies or errors were made that need to be corrected.

The City is once again complimented for implementing proper internal controls in this cycle to ensure that benefits information is authorized and as accurate as possible before the employee's first payroll.

Two recommendations were identified for process improvement. First, all the paperwork provided by the employee, whether in manual forms or digital forms, is printed/copied and walked over to Payroll. This creates possible delays in the process or missing paperwork. These records should be provided electronically through the Tyler/Munis system since that information needs to be there anyways. An electronic notification should then be sent to Payroll through the system that it is input and ready for review and processing. This will reduce delays and streamline the review and verification by Payroll.

**Recommendation 2. Upload all employee-completed federal/state withholding certificates, DDAs and other information into Tyler/Munis and create a notification to Payroll when completed.**

The second recommendation is that the deferred compensation elections should be entered electronically into the system rather than being routed through a hard copy form. While the deferred compensation vendor may

require a hard copy form (which is less the case today and for the future), the information should be in the Payroll system and the employee would have access to entering that information rather than being routed on a hard copy form.

**Recommendation 3. Require the employee (with HR Onboarding assistance as necessary) to enter deferred compensation elections into Tyler/Munis during the Onboarding process and eliminate hard copy routing of that form to Payroll.**

The third recommendation, which is more of a clarification of the processes, is that the system has the ability to import CalPERS appointment details. This is better clarified in the “to-be” process map and is captured as a recommendation.

**Recommendation 4. Ensure that CalPERS appointment information is properly imported into Tyler/Munis.**

### **Direct Deposit**

An employee can elect to participate in direct deposit at any time during their employment with the City. We have included this in the New Employee Setup cycle, however it also applies to changes an employee makes at any point during their employment.

The employee is responsible for submitting a DDA to Payroll through the ESS system. Payroll will review the submittal and, short of any discrepancies, will submit a prenote to the employee’s financial institution. Payroll requires that once the prenote is determined to be successful that the DDA information will go live in the system one pay period after the prenote was successfully received.

Financial institutions are much faster today in providing notification to employers about the success of a direct deposit prenote. Most employers that we work with will now process DDAs daily since they are infrequent (most employees today enroll in direct deposit upon hire). Even in as large of a workforce as Stockton, there should be the capacity at the beginning of each workday to process a prenote for any DDAs that come through the prior workday and review the return of the prior day’s prenotes from the financial institution. To the extent that the prenote was successfully received by the financial institution, the employee’s DDA request should go live immediately for the next payday if payroll is not in the process of being finalized. This would improve the employee’s experience with the payroll process and minimize the number of “live checks” that must be processed during any given payroll.

**Recommendation 5. Process DDA requests and prenotes with the employee's financial institution within 24 hours of receipt and activate successful prenotes immediately on the next payday.**

## ***Employee Changes Process***

The next process depicts when changes are necessary to employee payroll records. These involve three sub-cycles:

1. **Compensation and/or classification changes** – this process documents changes to an employee's compensation or classification as a result of promotion, moving to a new step in the pay plan, demotions or Y-rating an employee's compensation.
2. **Leaves of absence** – when an employee needs to go on a leave of absence, whether by their own election or as part of a disciplinary action, the payroll system is updated for that leave action.
3. **Benefits open enrollment** – the annual open enrollment process differs from the new employee onboarding process and is captured as an employee change.

Each of these sub-cycles are discussed below with accompanying recommendations manifested in their respective "to-be" process maps.

### **Compensation and/or Classification Changes**

Departments are typically responsible for initiating changes to an employee's compensation or classification. Once entered into Tyler/Munis it is routed internally for department approval before being submitted to HR. The HR Workforce Planning, Benefits and Labor Relations teams must review and approve the changes depending on the nature of the change (e.g., step in pay plan, classification changes triggering new benefits, Y-rating an employee's pay). The HR Director will then review and approve the changes. If there are any changes to leave accruals on a go-forward basis, HR Benefits will make those changes in the system. It then goes to the Deputy City Manager for their approval. In some cases, the City Manager is also required to review and approve compensation or classification changes depending on the nature of the change and the position. The City Manager currently requires a wet signature for their approval to be documented.

Once approvals have been received, the HR Program Manager will initiate the final posting and Payroll is notified in the system of changes in classification and compensation. Payroll will then make changes to leave accruals based on changes to the classification and benefits required

of the new position. If the employee is eligible for retroactive pay (retropay), Payroll will then process those retroactive compensation and benefits changes as part of the Payroll Processing cycle (discussed later).

Internal controls appear to be in place in most regards in that employees cannot self-initiate a pay change – departments must do that with necessary approvals. The right people are involved in HR and Payroll to review the changes and address any issues prior to the first pay period being impacted. However, we identified a few changes that streamline the process and place proper responsibility within the City organization.

First, HR Benefits is entering information about leave accruals on a go-forward basis. Payroll is also reviewing and making entries to leave accruals for the position. This should happen once, including any retroactive changes to leave accruals. This properly belongs in HR Benefits to do this as they are also responsible for entering leave accruals during the onboarding process for a new employee and are responsible for entering changes to leave accruals from negotiated MOUs. This should take place prior to the HR Director review and approval to ensure that changes in leaves are proper.

**Recommendation 6. Assign responsibility for retroactive and/or prospective leave accrual changes in the compensation/classification process to HR Benefits prior to HR Director review and approval.**

Next, we understand that the City Manager prefers wet signatures on employee actions. This creates more work for HR and Payroll to print all supporting documentation, place the information into the interoffice mail or “walk” the information to another City building to the City Manager’s Office, and then when approved receive that hard copy back before entering it into the system on the City Manager’s behalf. This causes unnecessary delays. Approvals should leverage the financial investment in the Tyler/Munis ERP system and use the workflow capabilities in all regards. If the City Manager insists on hard copy documentation, we recommend that an employee in the City Manager’s Office be provided read-only access and print those documents for the City Manager’s review. This reduces the time lag of submitting that documentation via interoffice mail. The City Manager can then approve them electronically or delegate that authority to an assistant to do that on their behalf within the Tyler/Munis system.

**Recommendation 7. Require electronic approvals from the City Manager for compensation/classification changes in the Tyler/Munis system.**

Finally, nowhere in the current workflow is the employee notified of the changes that will be made. This improves accuracy and internal controls by ensuring the changes are what the employee expected. If there are any issues or concerns, the employee can then reach out to their department to discuss the issues, and then HR and/or Payroll can be brought into the conversation.

**Recommendation 8. Notify the affected employee of changes to the compensation and/or classification and affected benefits after all approvals have been received.**

### **Leaves of Absence**

Leaves of absence (LOA) can be initiated by the employee (e.g., extended illness, caring for a family member) or the employer (e.g., workers compensation, disciplinary matter). In either case, the department will initiate the payroll-related processes through a Personnel Action Entry (PAE) in Tyler/Munis. The PAE is routed to HR Benefits and/or Labor Relations for approvals prior to the HR Director approving the request. Once approved, HR Benefits will enter changes to benefits, leaves and notify third-party benefits administrators (e.g., health insurance, workers comp, deferred compensation providers) depending on the nature of the leave. Payroll will then review the entries and address any questions/discrepancies. HR Risk will update the GAP report for leave, workers comp and state disability insurance needs where appropriate. Once the GAP report is updated, Payroll will then make the necessary compensation and benefits modifications in the payroll system. If the employee has exhausted all paid leaves, they are billed for health insurance continuation by Payroll. Otherwise, the employee is notified by email of changes in compensation and benefits by Payroll and the changes are incorporated in the payroll cycle based on the effective date of the LOA.

Once again, segregation of duties and internal controls appear to be strong in this cycle to prevent potential errors. However, there are some changes to sequencing and responsibilities that would make the LOA process more effective and streamlined.

First, the LOA process is initiated through a manual form prepared by the operating department. This should be converted to an electronic form that works within the Tyler/Munis workflow that can attach to the PAE to streamline processes, capture all necessary documentation within the system, and leverage the full capabilities of the system.

**Recommendation 9. Convert the manual leave of absence form to an electronic form within the Tyler/Munis system to initiate the LOA process by the operating department.**

Leave accrual and pay code corrections are not reviewed by an independent source in HR after leave accruals have been entered. This should happen before Payroll review to streamline the review and entry process and catch errors earlier in the process.

**Recommendation 10. Assign review of leave accrual and pay codes modified by HR Benefits to another person in HR to verify accuracy and coding review prior to transmitting to Payroll for review.**

Next, after the GAP report is updated for leaves, workers comp and SDI reporting purposes, HR Benefits should be making any modification to impacted benefit codes based on the nature of the LOA. They are the ones responsible for doing so earlier in the process and should carry that through after any impacts resulting from the updated GAP reports.

**Recommendation 11. Assign the responsibility for entering any impacted benefits codes in the system to HR Benefits after the GAP reports have been updated and before transmitting to Payroll for processing.**

### **Benefits Open Enrollment**

Benefits open enrollment occurs once annually (although the City was in the process of changing the open enrollment date in 2024). The process is initiated by HR Benefits that opens the open enrollment portal through ESS for employees to select their benefits. HR Benefits will then close the portal, transfer data from ESS to Tyler/Munis verify the data and make any changes, and then notify Payroll that the updated benefits elections are complete.

This process is straightforward and appears to be handled in a good fashion. We have no recommended changes in this cycle.

### ***Payroll Processing***

The Payroll Processing cycle is at the core of paying employees correctly and recording and reporting information appropriately internally and to third parties. While there is only one process map for this process, we have separated this section into four areas to facilitate the discussion of our analysis of this process:

1. Payroll processing overview;
2. Reflection on internal controls;
3. Timekeeping; and
4. Accrual/pay code issues.

## **Payroll Processing Overview**

Employees enter their time in Executime, which is then electronically routed to their supervisor for review and approval. Payroll will then lock the time in and transfer the data into Tyler/Munis for processing.

Meanwhile, HR is determining if any adjustments are necessary systemwide or to any specific employee outside of the other processes that have already been discussed earlier. They will then enter those adjustments and notify Payroll when complete.

Payroll will then generate reports for departments to review and return to Payroll via email noting any adjustments. Payroll will enter any adjustments. HR Risk is informed to then produce the GAP report for SDI/workers comp cases, which Payroll uses to calculate the amounts owed to employees. Once those modifications are reviewed, Payroll completes payroll processing for the Assistant Finance Director to approve payment of paychecks to employees and vendors.

Once approved by the Assistant Finance Director, Payroll will then transmit payroll data to the bank for direct deposit, positive pay (for “live checks” provided via interoffice mail to employees), and vendor checks. Live checks are then cut and issued to employees and vendors.

A general ledger (GL) distribution report is then generated for departments to review allocation to funds and divisions. Subject to any corrections, Payroll will finalize the distribution and notify Accounting that payroll is ready to be posted to the GL.

Payroll then produces the CalPERS reports and data file and uploads the information to MyCalPERS. The CFO or their designee reviews and approves the final submittal. Payroll performs any necessary reconciliations and adjustments in the payroll system based on that review. Payroll will transmit payment to MyCalPERS and pay state and federal payroll tax withholdings to the appropriate agency. HR Benefits will pay vendors for all other benefit-related deductions.

## **Reflection on Internal Controls**

Based on our review, the process appears reasonable in most regards relative to catching errors as early as possible and segregating duties from

an internal control perspective. The assignment of responsibilities in this area appears reasonable based on our experience with other agencies. Where some agencies may have their Payroll department initiate payment to benefits vendors, the assignment of that duty to HR Benefits is appropriate in this instance given their relationship with the vendors and to ensure timely and accurate payment of those benefits.

Two areas that are cause for concern are with respect to verification of payroll data before being processed. The first is that after HR Benefits enters adjustments to any employee deduction or pay changes of which they are aware (which generates the adjustments before tax or ABT report), those adjustments are not reviewed by someone else outside of the person(s) making those entries. This has caused some accidental mistakes in data entry to be made that require adjustments, sometimes after payroll has already been issued to the employee. The way to address this is to have someone other than the person entering the data review the information entered for accuracy.

**Recommendation 12. Require an independent review of any adjustments entered by HR Benefits to employee deductions or pay changes to another individual in HR Benefits to ensure accuracy of data entry.**

The second is that there is no current documented review of payroll prior to the completion of payroll processing. It was reported that the Assistant Finance Director will review payroll prior to authorizing transmission of payroll to the bank, however it does not appear to be documented in the Tyler/Munis workflow and it was not clear what level of review is being performed. It is important to ensure that a review of payroll is completed prior to finalizing processing in preparation for payment to employees and vendors and obtaining approval by the Assistant Finance Director for transmission to the bank. An exception basis can be used in reviewing payroll by leveraging reports out of Tyler/Munis and focusing on the following:

- New employees,
- Retires/separated/terminated employees,
- Compensation, benefit and/or significant deduction changes,
- One-time pays or deductions,
- Overtime pay,
- Duplicate payments, and
- Leave accrual changes.

This review can be performed and documented either by the Payroll Supervisor or the Assistant Finance Director, but it should be a documented control to improve internal controls.

**Recommendation 13. Implement a documented payroll review of the completed payroll through Tyler/Munis workflows by either the Payroll Supervisor or the Assistant Finance Director prior to approvals for transmission of payroll to the bank/cutting live checks.**

### **Timekeeping**

We learned from our engagement with timekeepers that there appear to be inaccurate hours summary totals that are being created within the system regarding employee's available hours or hours worked. Some comments seemed to indicate that it could be from the wrong hours codes being coded for employees, while others believed that there were problems with the reports not picking up the correct hours codes. This needs to be addressed by implementing two recommendations.

**Recommendation 14. Conduct a detailed review of the hours codes to ensure that the hours being reported properly reflect MOU provisions and are viewable by timekeepers.**

**Recommendation 15. Conduct periodic reviews of the hours summary reports with timekeeper staff and repair any issues regarding system-generated reports to ensure accuracy in reported hours available for leaves as well as hours worked (e.g., regular hours, overtime, etc.).**

Timekeepers also indicated that there appeared to be a multitude of pay codes available to them for input that are not applicable for the employees for whom they enter/review time. In addition, the interface requires them to create multiple entries for different pay codes that should be simplified. Three opportunities exist to improve this experience for timekeepers: 1) the pay codes need to be reviewed to determine opportunities to streamline them considering reporting and calculation requirements; 2) pay codes should be filtered such that only those codes which are pertinent to the employee/workgroup are shown for timekeepers; and 3) training would help timekeepers in the use of those codes. The second item could be implemented through creating a "favorites" list that each timekeeper can modify based on the employees that they handle for time entry and approvals. These recommendations

should be led by Payroll in collaboration with HR team members and timekeepers.

**Recommendation 16. Identify opportunities to streamline the number and use of various hours and pay codes.**

**Recommendation 17. Modify the timekeeping entry system to allow for hours and pay codes to be filtered either by the system or by the user to limit the number of available options to timekeepers and streamline input and approvals.**

**Recommendation 18. Provide periodic training to timekeeping staff on the use of the timekeeping and the payroll reporting modules.**

### **Accrual/Pay Code Issues**

It was reported in our engagement with HR and Payroll team members that there are concerns with the accuracy of leave accrual information and pay codes entered into the system. Most of the comments seemed to indicate concerns about information being entered but not being double-checked prior to being activated in the system. We have made recommendation above to address these issues by enacting review of data entry after they have been entered into the system.

Given the number of MOUs and workgroups to which employees are assigned, it is understandable that a proliferation of pay codes has occurred. This causes issues in terms of training Payroll/HR/timekeeping staff, ensuring that pay codes are assigned properly as to taxable income and CalPERS compensation, and proper reporting and reconciliation to GL data. The recommendation above to identify opportunities to streamline pay codes should be undertaken in the near future. There are two times during the year where this might be most appropriate: 1) at the end of a calendar year to ensure tax and CalPERS reporting data for the new year is made to be more accurate; or 2) at the end of the fiscal year to ensure financial reporting is more accurate. Given the significant tie-in to tax and CalPERS reporting, we believe this should be completed as a project toward the end of the current calendar year. This is merely a timing issues relative to that prior recommendation, so no additional recommendation is necessary herein.

## ***Separations from Employment Process***

The final process depicts when changes are necessary to employee payroll records. These involve three sub-cycles:

1. **Resignations (including retirement) or terminations** – this process documents when an employee separates from employment from the City, either by resignation, retirement, or termination.
2. **Retirement** – when an employee chooses to retire from the City, special processes are required to ensure proper reporting to CalPERS.
3. **Deceased** – on rare occasions a current employee may die during their employment with the City. This process map identifies the steps in that regard. (Note: this only focuses on the impact of death on processing final payroll; it does not include any death benefits or other legal actions if death occurred while performing official work for the City.)

Each of these sub-cycles are discussed below with accompanying recommendations manifested in their respective “to-be” process maps.

### **Resignations or Terminations (including initiation of the retirement process)**

When an employee resigns (leaving employment or retiring) or is terminated from City employment, the operating department will initiate the payroll-related process by entering a change in employment status of the employee in Tyler/Munis. Based on the employment status change code(s), the system will route to the appropriate parties for review and approval. HR Benefits will then take the lead in preparing post-employment benefits information and send that information to the employee. If the employee is retiring, a separate process is involved in processing that retirement (see next section). HR Benefits will report the separation to CalPERS and to third-party benefits vendors. The HR Director will then approve the change in employment status, which then triggers Payroll to prepare the employee’s final paycheck.

Upon receiving the notification of resignation/termination through the system, Payroll will process the employee’s final paycheck through the normal payroll process. Separately, Payroll will calculate payout of leave balances and any other payouts and prepare a separate live check for those final payouts and send to the employee separately.

The assignment of the duties spelled out in this process appears appropriate. HR Benefits is well positioned to inform CalPERS and other vendors about an employee separation, especially if the retirement is related to a disability retirement. Payroll is best suited to perform the final calculations, including salary adjustments and payout of final leave balances. Internal control functions regarding segregation of duties and approvals appear to be properly in place.

We have several recommendations to improve this process and its sequencing. First, while the system routes the notice of employment status from the department to the appropriate parties, it appears that HR Benefits starts working on post-employment benefits and reporting separation to CalPERS and benefits vendors before the HR Director has approved the separation from employment. This approval needs to take place before HR Benefits begins processing the separation paperwork for the employee.

**Recommendation 19. Require HR Director approval of the employment status change before HR Benefits begins processing post-employment benefits for the employee.**

It was unclear based on the documentation that was provided whether HR Workforce Planning is getting proactive notification that a vacancy is coming up so that they can begin to work with the department for filling the vacancy. Hopefully the department has already reached out to HR Workforce Planning to discuss filling the pending vacancy. Nonetheless, this step helps to expedite workforce planning requirements and start recruitment to fill the gap. It would also improve customer service in those instances where the department has not yet engaged HR Workforce Planning to fill their upcoming vacancy.

**Recommendation 20. Ensure that HR Workforce Planning receives immediate notification upon HR Director approval of a resignation or termination from employment.**

State law allows a municipal agency to process final payroll in the ordinary course of payroll rather than have that final paycheck on the employee's last date of employment. The City handles final payroll in this manner – processing the employee's final regular paycheck in the ordinary course of the payroll cycle. Final payouts of leave balances or other cash benefits owed to the employee are issued on a separate check. This is consistent with best practices used by most other agencies.

However, the City differs from best practices of other agencies we have worked with in that Payroll will issue the final payout in a separate live

check to the employees outside of the payroll process. Although all withholding information is prepared through payroll, the live check is processed manually. While on some occasions (possibly for sensitive termination actions) this would be prudent, the City should normally process the separate payouts as part of the payroll cycle in which the employee will receive their final check. On rare occasions the notice of separation might come as payroll is being completed, which might make this problematic. However, those one-off occasions should still be handled through the payroll processing cycle to maximize efficiencies in the payroll process. Moreover, the employee should be able to receive their final payouts in the same form that they receive their paychecks – whether by direct deposit or through live checks.

**Recommendation 21. Process payouts of leaves and other cash benefits to employees as part of the regular payroll cycle as a separate payment that is paid via direct deposit or live checks based on the separating employee's standard payment method.**

## **Retirement**

Additional steps are required when an employee elects to retire from service. Currently, HR Benefits will prepare retirement benefits information and send that information to the employee. Classic CalPERS members are eligible for a specific benefit that allows to have employer-paid member contributions (EPMC) credited toward the employee's final year of pay (CalPERS Optional Benefit Section 20692, discussed below). If the employee elects to have EPMC credited to their final year of pay, Payroll is required to recalculate the employee's final year of pay, determine if any repayment from the employee is required, and cut a final payout check for the difference. Payroll will also report the compensation adjustments to CalPERS for all reporting periods affected and report the retirement to CalPERS.

Classic members under MOUs that allow for EPMC payments are eligible to have their last 12 months of compensation increased for retirement purposes based on the amount of EPMC paid by the City on their behalf subject to the provisions of California Retirement Code Section 20692. When an employee elects to have EPMC converted to increase their final compensable pay, the employer may, pursuant to any MOU provisions, stop paying those contributions during the final compensation periods and, instead, increase the pay rate of the members by an amount equal to the normal contributions paid by the employer on behalf of the employees. This is typically to take effect in the pay period immediately

prior to and throughout the final compensation period. However, CalPERS does not require the employee to provide notice of such action in the final year prior to retirement, but rather indicates “if an employee only gives two weeks’ notice of retirement, (the agency) must retroactively adjust and report payroll for the conversion in the full final compensation period....”<sup>1</sup> This would be true for any other timing of notice within the last year prior to retirement.

This retroactive application of final compensation is only applicable for purposes of reporting of CalPERS final compensation. It does not have retroactive impacts to the employee’s other salary-based pays or tax withholdings as EPMC and member contributions are before-tax deductions. As such, the only issue at hand is handling CalPERS reporting requirements.

The MOUs for sworn Fire employees provide this as an optional election. All other groups that have opted in for EPMC benefits appear to make this as a mandatory retroactive application on the City’s part for final compensation calculations.

The issue of who is responsible for employee communication regarding these benefits came up several times during the course of our conversations with staff and department employees. The calculation of the impact on employee’s final compensation is a responsibility of Payroll. However, retirement benefits counseling and information sharing is an HR Benefits responsibility. We believe that these two groups should collaboratively communicate with future retirees regarding this EPMC retirement benefit. Three recommendations would improve communication with employees and ensure that the information is properly applied to the employee’s final pay.

**Recommendation 22. Develop ongoing communication with employees to advise them of their retirement benefits, with a specific discussion of the Section 20692 optional benefit that allows for EPMC to be converted to final pay in the employee’s last 12 months of employment prior to retirement.**

**Recommendation 23. Conduct joint meetings/outreach to employees that have provided their notice of retirement**

<sup>1</sup> CalPERS Public Agency & Schools Reference Guide, January 2024, “Converting EPMC to Pay Rate in the Final Compensation Period”, pg 96-97.

**with an HR Benefits and Payroll representative from each group to advise employees on impacts of their MOU provisions regarding Section 20692 EPMC conversion to final pay.**

**Recommendation 24. Implement the recalculation of final pay due to EPMC conversion immediately upon acceptance of retirement notice received from the employee (or upon election of such benefit by sworn Fire employees per their MOU provisions).**

### **Deceased Employee**

In the unfortunate situation when an active employee dies, typically the next of kin will notify the City of the employee's death. The operating department will initiate the employment status change in Tyler/Munis. The process is like the Separation and Termination process discussed above, with the exception that HR Benefits will be providing beneficiaries with information about the decedents benefits that are applicable to them and to the executor of the employee's estate. The other change is that Payroll will calculate payroll related information regarding tax withholding, etc., as part of the final pay process to the decedent's employment tax records and send that last payroll check to the executor of the estate. The check is paid out by Finance/Accounting as an accounts payable (AP) generated check.

Internal controls and segregation of duties in this process appear to be in place and followed. We have no recommendations for improvement of this sub cycle.

## CalPERS Reporting

The City was subjected to a CalPERS audit in late 2022 and early 2023 of its reporting of various payroll information including “PERSable” compensation (i.e., eligible to be included in the employee’s compensation for retirement purposes), withholdings, and reporting. Baker Tilly was not provided a copy of that audit report to help inform our analysis of whether changes have been made to address findings in that report.

Nonetheless, we reviewed the setup of various pay codes within the Tyler/Munis system that were active in December 2023 with Payroll staff. We were informed that some of the codes were updated during 2023 to respond to errors that were noted in the CalPERS report after the payroll module in the system went live. We reviewed such things as uniform pay, additional pays (e.g., Fire EMT, certification pays), and deduction codes to identify items that are typically used in the calculation of “PERSable” compensation. Based on our review, it appeared that the City’s pay codes are properly set up in order to facilitate the proper calculation of CalPERS reportable compensation and deductions.

As part of our work, we received various Tyler/Munis payroll reports from late 2023 that indicated how amounts were calculated in terms of reporting employee pay properly to CalPERS. We reviewed the information submitted to CalPERS and were able to tie out the amounts from internal reports to those that were reported to CalPERS for a sample of the pay periods reviewed.

As was indicated in the prior section, we identified some improvements to the proper application of EPMC contribution in accordance with Section 20692 benefits to which the City has subscribed.

We identified no other opportunities for improvement based on our review. However, we recommend that the City conduct annual internal audits of CalPERS reported information to ensure that any findings were adequately addressed and to mitigate potential errors in future years. This is especially important when changes are initiated by revisions to CalPERS laws, interpretations of existing laws, or changes in MOUs.

**Recommendation 25. Conduct annual internal audits of CalPERS reported compensation and contributions information by someone outside of the HR and Payroll teams.**

## Other Observations

During our engagement with HR and Payroll staff both in terms of interviews and survey engagement results, other themes came out during our engagement that indicated opportunities for improvement. They are discussed below.

### ***Functional Role and Responsibility Assignments***

One issue that came up during our work is a common issue in most other local government agencies – who should be doing what in the payroll process? This is especially true when both human resources and payroll team members work for different departments but are reliant upon one another to ensure that employees are paid correctly and timely and that benefits providers get the information and financial resources they need to provide benefits to employees.

The Payroll division has experienced a significant amount of turnover in the past two years at a time that a new ERP and payroll system was being implemented. There were reported concerns about accuracy of processing payroll and understanding of various payroll-related information that impacts all processes discussed above. Timekeepers indicated concerns raised by employees of not knowing who to talk with to get answers to their questions. They also indicated concerns about timely responses to inquiries by Payroll.

Some of these issues stemmed from that turnover in Payroll staff. In some cases, HR has understandably felt that they had to bear the burden of addressing payroll related questions. HR has not experienced that same level of turnover and certain HR team members have the history and institutional knowledge in understanding the background of certain issues and their implications in the payroll process.

Based on our understanding of the payroll needs for the City and the related duties, functions, roles, and organizational structure of the City's Administrative Services, Payroll and Human Resources departments, Table 6 identifies the high-level functions that are performed in processing payroll and, in our opinion, who the responsible party should be within the City. This does not mean that other actors might not also be responsible for elements within those functions (e.g., hours codes might be the responsibility of Payroll but requires coordination with HR to ensure that hours codes applicable to each MOU are incorporated properly). Rather this table identifies, in our opinion, who should

ultimately be responsible for ensuring that the information is processed timely, accurately and to address any related questions from employees.

*Table 6. Payroll-Related Functions and Overall Responsibility Assignment*

Payroll-Related Function	Payroll	HR	Finance/ Accounting	Operating Department
Master pay table	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Benefits codes	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pay codes	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hours codes	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Leave accrual setup and changes	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Benefit enrollment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Timekeeping	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SDI/Workers Comp compliance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SDI/Workers Comp calculations	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Payroll calculations and processing	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
CalPERS reporting	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other benefits provider reporting	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
General ledger upload	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CalPERS EPMC conversion	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Leave balances	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Final payouts	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Paycheck discrepancies	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Benefits discrepancies	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The City has prepared an “HR and Payroll Duties” table to spell out how these and other various duties or functions are handled. We believe that the City should review that table within the context of our recommended assignments with the understanding that the table above identifies ultimate responsibility for the function rather than exclusivity in performing all tasks within that function.

**Recommendation 26. Review the HR and Payroll Duties table to determine any changes necessary to overall responsibility for various payroll-related functions.**

### ***Collaboration Between Payroll and Human Resources***

Concerns were raised by both HR and Payroll team members regarding receiving payroll data in a timely fashion to meet payroll deadlines. In

some cases, team members identified one-off situations that do not repeat typically, but in other cases systemic concerns were raised (e.g., new employee approvals; changes in accruals; changes in compensation or classifications). The recommendations made above will help to streamline processes in hopes that they will address some of the timeliness issues. Work we have done with other communities in these types of areas suggest concerns about the mutual trust and focus that different departments have toward accomplishing the common goal. Ensuring that employees are paid accurately and timely in accordance with the compensation and benefits plans that have been negotiated with their bargaining units is a mutual interest of all involved. Another mutual interest is developing clarity of who does what, accepting responsibility for addressing issues on a timely basis without blame, and streamlining processes to reduce impacts and improve effectiveness for all involved.

We were encouraged by the collegial atmosphere in our process mapping improvement sessions with both HR and Payroll team members present to inform the recommendations made above. We know that HR and Payroll have been meeting on various matters on a recurring basis in order to facilitate information exchange on various matters. We encourage this level of collaboration to continue. Developing common goals to improve employees' experiences will go far in furthering this level of collaboration and communication between Payroll and HR. The success of processing payroll and serving employees' needs in this regard relies on it.

**Recommendation 27. Conduct periodic employee surveys to evaluate payroll-related processes performance and identify opportunities for continuous improvement.**

**Recommendation 28. Develop mutual goals for Payroll and HR to accomplish in improving the employees' experience with payroll-related services and outcomes.**

## ***Training***

The City rolled out a new ERP and payroll system within a year of the start of our engagement. With any new system comes uncertainties about processes – especially among users like operating departments and employees that do not use the system daily. This leads to several concerns about the user interface of the new system and to streamline its use.

Several comments came up from Payroll, HR, timekeeping employees, and in our discussions with staff that strongly suggested the desire for more training. These comments were not just focused on Tyler/Munis

training, but also about the various processes surrounding payroll administration and implementation. The following recommendations will help to improve that experience.

**Recommendation 29. Develop and conduct periodic training sessions, collaboratively planned by Payroll and HR, for employees on the use of Tyler/Munis and about various payroll-related processes.**

**Recommendation 30. Use the process maps developed herein to inform operating department and Payroll/HR employees about the payroll process.**

**Recommendation 31. Create periodic brown-bag lunch meetings or other types of engagement opportunities with key users of the payroll module to discuss successes, training topics, and opportunities for improvement.**

## Conclusion

The City's investment in a new ERP and payroll system will provide the opportunities for streamlined processes and workflows to help payroll be more efficient and increase accuracies and timeliness in paying the City's employees and benefits vendors. Introduction of any new system is always fraught with changes and challenges that can impact the effectiveness of the new system. Exacerbating that impact is significant turnover in the Payroll division as the new system was being developed and implemented, placing additional burden on the HR team to support implementation of the system.

The recommendations in this report will provide for a more streamlined approach to administering the payroll system in future years by implementing best practices, leading to more effective internal controls, clarifying responsibilities among various parties, and improving employees' experiences in working with Payroll and HR in delivering the compensation and benefits they expect.

## Attachment A – List of Recommendations

- Recommendation 1.** Require Payroll to enter payroll codes for front-loaded leave and/or sign-on bonuses for new employees prior to HR Onboarding and HR Director review and approval.
- Recommendation 2.** Upload all employee-completed federal/state withholding certificates, DDAs and other information into Tyler/Munis and create a notification to Payroll when completed.
- Recommendation 3.** Require the employee (with HR Onboarding assistance as necessary) to enter deferred compensation elections into Tyler/Munis during the Onboarding process and eliminate hard copy routing of that form to Payroll.
- Recommendation 4.** Ensure that CalPERS appointment information is properly imported into Tyler/Munis.
- Recommendation 5.** Process DDA requests and prenotes with the employee's financial institution within 24 hours of receipt and activate successful prenotes immediately on the next payday.
- Recommendation 6.** Assign responsibility for retroactive and/or prospective leave accrual changes in the compensation/classification process to HR Benefits prior to HR Director review and approval.
- Recommendation 7.** Require electronic approvals from the City Manager for compensation/classification changes in the Tyler/Munis system.
- Recommendation 8.** Notify the affected employee of changes to the compensation and/or classification and affected benefits after all approvals have been received.
- Recommendation 9.** Convert the manual leave of absence form to an electronic form within the Tyler/Munis system to initiate the LOA process by the operating department.
- Recommendation 10.** Assign review of leave accrual and pay codes modified by HR Benefits to another person in HR to verify accuracy and coding review prior to transmitting to Payroll for review.
- Recommendation 11.** Assign the responsibility for entering any impacted benefits codes in the system to HR Benefits after the GAP reports have been updated and before transmitting to Payroll for processing.
- Recommendation 12.** Require an independent review of any adjustments entered by HR Benefits to employee deductions or pay changes to another individual in HR Benefits to ensure accuracy of data entry.
- Recommendation 13.** Implement a documented payroll review of the completed payroll through Tyler/Munis workflows by either the Payroll Supervisor or the Assistant Finance Director prior to approvals for transmission of payroll to the bank/cutting live checks.

- Recommendation 14.** Conduct a detailed review of the hours codes to ensure that the hours being reported properly reflect MOU provisions and are viewable by timekeepers.
- Recommendation 15.** Conduct periodic reviews of the hours summary reports with timekeeper staff and repair any issues regarding system-generated reports to ensure accuracy in reported hours available for leaves as well as hours worked (e.g., regular hours, overtime, etc.).
- Recommendation 16.** Identify opportunities to streamline the number and use of various hours and pay codes.
- Recommendation 17.** Modify the timekeeping entry system to allow for hours and pay codes to be filtered either by the system or by the user to limit the number of available options to timekeepers and streamline input and approvals.
- Recommendation 18.** Provide periodic training to timekeeping staff on the use of the timekeeping and the payroll reporting modules.
- Recommendation 19.** Require HR Director approval of the employment status change before HR Benefits begins processing post-employment benefits for the employee.
- Recommendation 20.** Ensure that HR Workforce Planning receives immediate notification upon HR Director approval of a resignation or termination from employment.
- Recommendation 21.** Process payouts of leaves and other cash benefits to employees as part of the regular payroll cycle as a separate payment that is paid via direct deposit or live checks based on the separating employee's standard payment method.
- Recommendation 22.** Develop ongoing communication with employees to advise them of their retirement benefits, with a specific discussion of the Section 20692 optional benefit that allows for EPMC to be converted to final pay in the employee's last 12 months of employment prior to retirement.
- Recommendation 23.** Conduct joint meetings/outreach to employees that have provided their notice of retirement with an HR Benefits and Payroll representative from each group to advise employees on impacts of their MOU provisions regarding Section 20692 EPMC conversion to final pay.
- Recommendation 24.** Implement the recalculation of final pay due to EPMC conversion immediately upon acceptance of retirement notice received from the employee (or upon election of such benefit by sworn Fire employees per their MOU provisions).
- Recommendation 25.** Conduct annual internal audits of CalPERS reported compensation and contributions information by someone outside of the HR and Payroll teams.
- Recommendation 26.** Review the HR and Payroll Duties table to determine any changes necessary to overall responsibility for various payroll-related functions.
- Recommendation 27.** Conduct periodic employee surveys to evaluate payroll-related processes performance and identify opportunities for continuous improvement.
- Recommendation 28.** Develop mutual goals for Payroll and HR to accomplish in improving the employees' experience with payroll-related services and outcomes.

**Recommendation 29.** Develop and conduct periodic training sessions, collaboratively planned by Payroll and HR, for employees on the use of Tyler/Munis and about various payroll-related processes.

**Recommendation 30.** Use the process maps developed herein to inform operating department and Payroll/HR employees about the payroll process.

**Recommendation 31.** Create periodic brown-bag lunch meetings or other types of engagement opportunities with key users of the payroll module to discuss successes, training topics, and opportunities for improvement.

## Attachment B – Process Maps

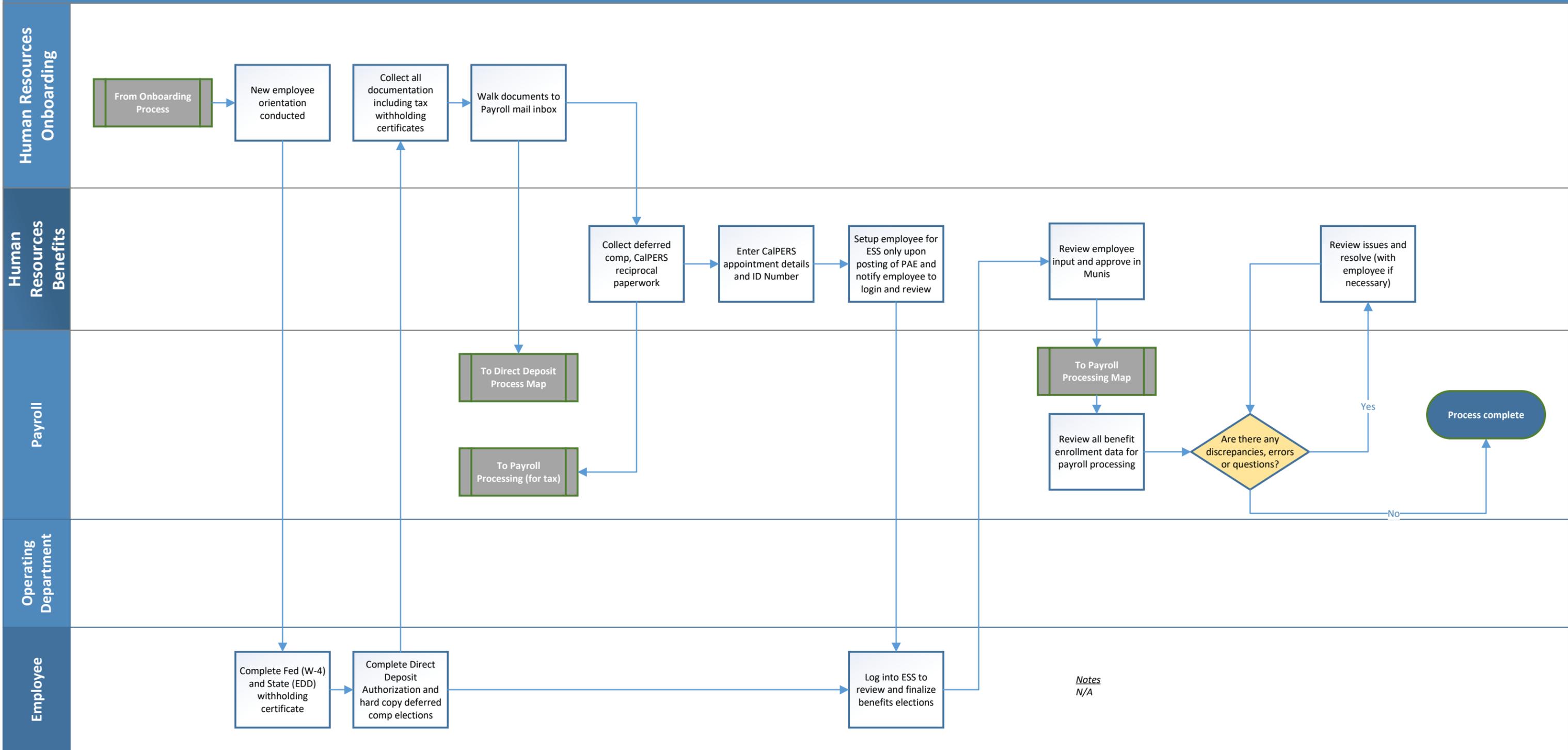
The following process maps were developed in four business cycles that impact the delivery of payroll services in the City of Stockton. In each section, two maps are provided: 1) Current (“as-is”) processes, and 2) Proposed (“to-be”) processes. The four business cycles are:

1. New employee setup, which includes:
  - a. Onboarding,
  - b. Initial benefits enrollment and elections, and
  - c. Direct deposit signup;
2. Employee changes, which includes:
  - a. Compensation and classification changes,
  - b. Leaves of absence, and
  - c. Benefits open enrollment;
3. Payroll processing, from timekeeping to paying employees and deduction vendors; and
4. Separations from employment, which includes:
  - a. Resignations and/or terminations,
  - b. Retirement, and
  - c. Deceased during employment.



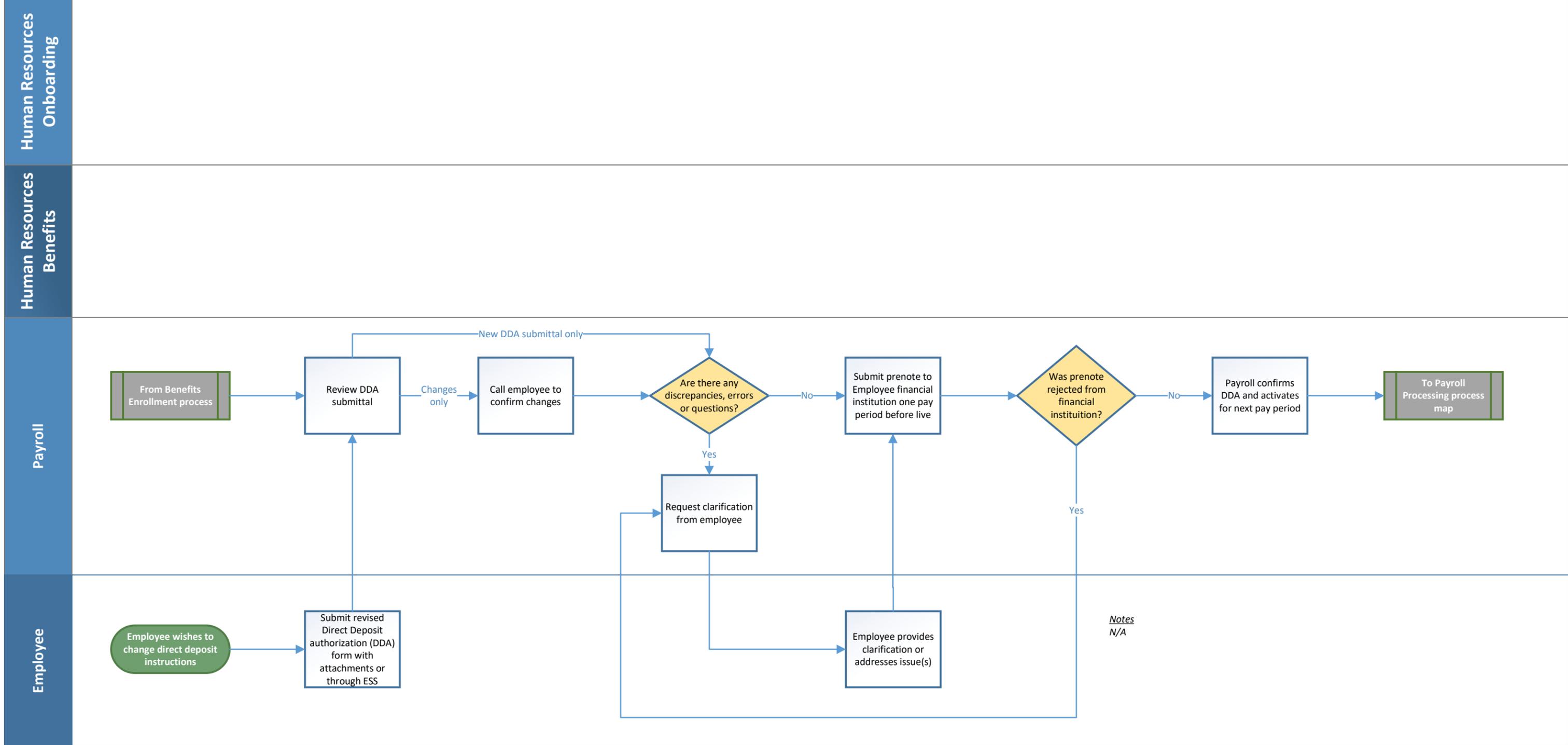
New Employee Set-Up (Map 2 – Page 2 of 3)

Benefits Enrollment



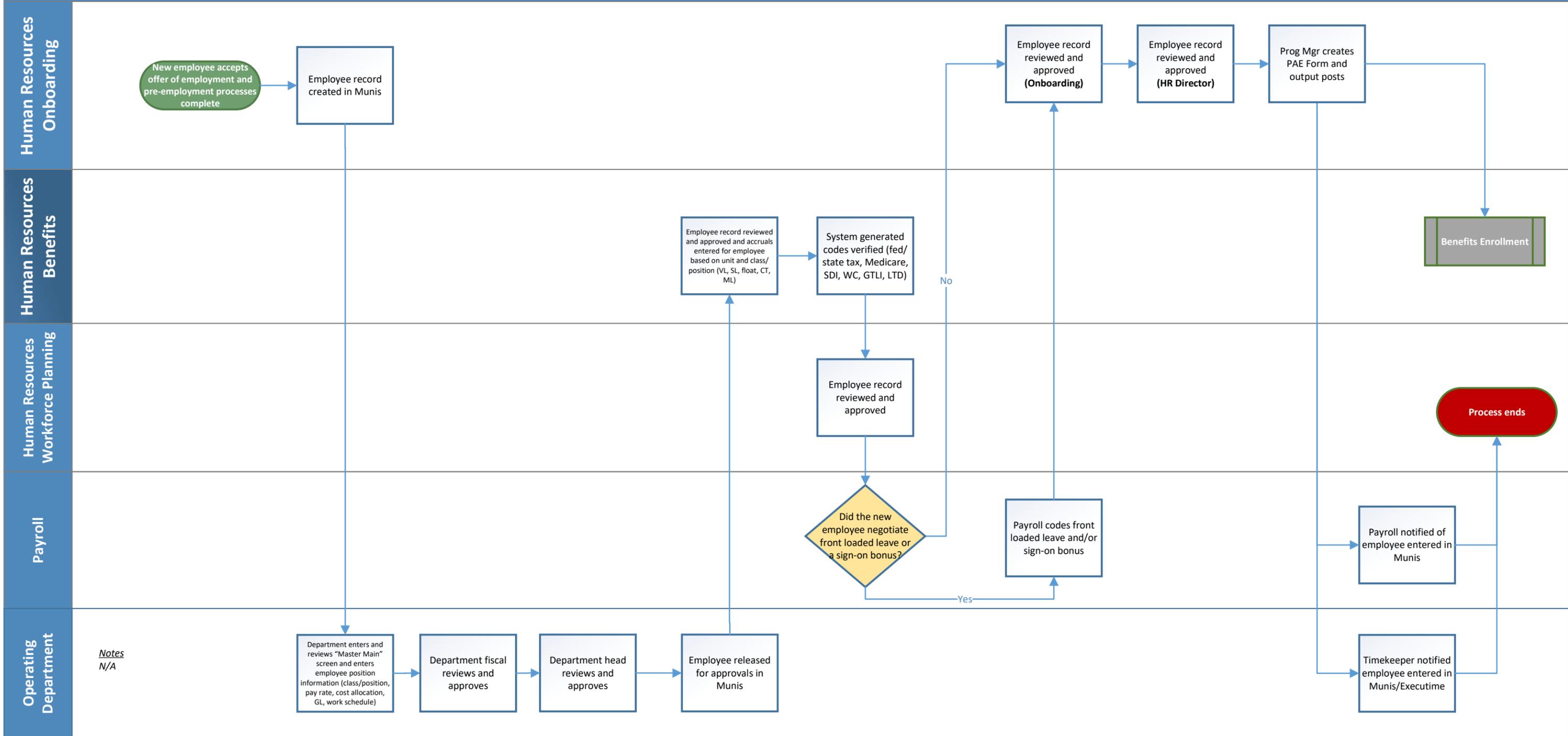
New Employee Set-Up (Map 3 – Page 3 of 3)

Direct Deposit Authorization



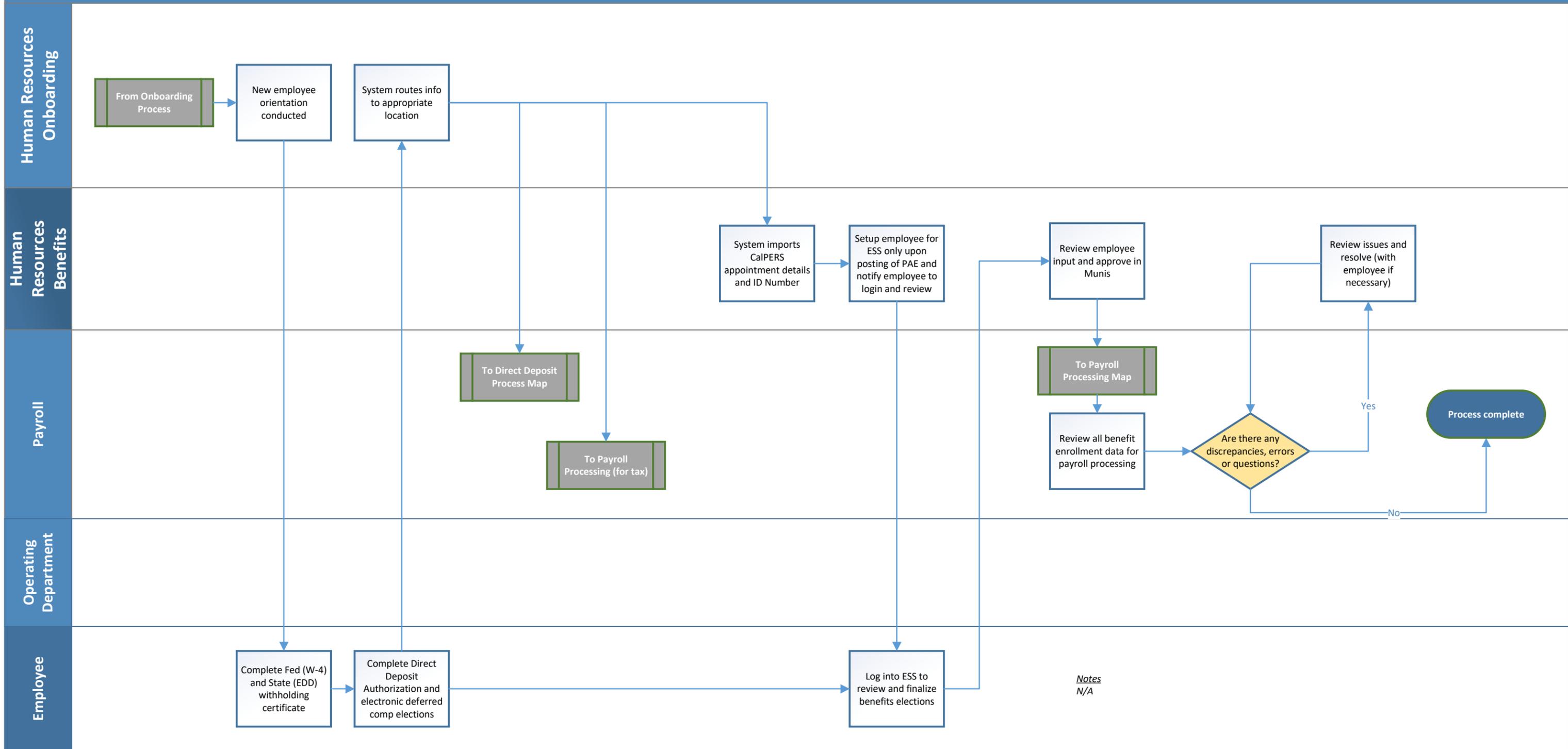
New Employee Set-Up (Map 1 – Page 1 of 3)

Onboarding a New Employee



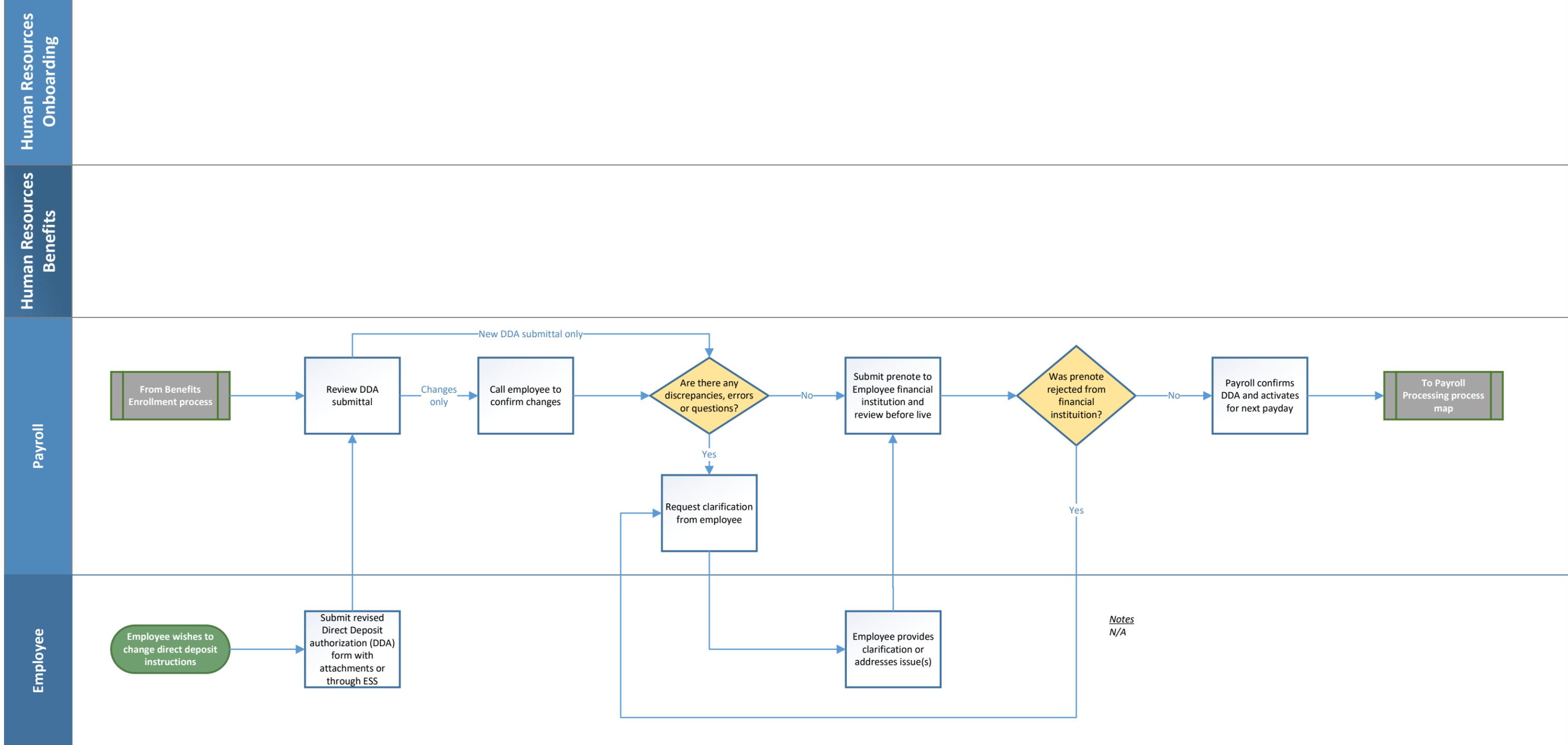
New Employee Set-Up (Map 2 – Page 2 of 3)

Benefits Enrollment



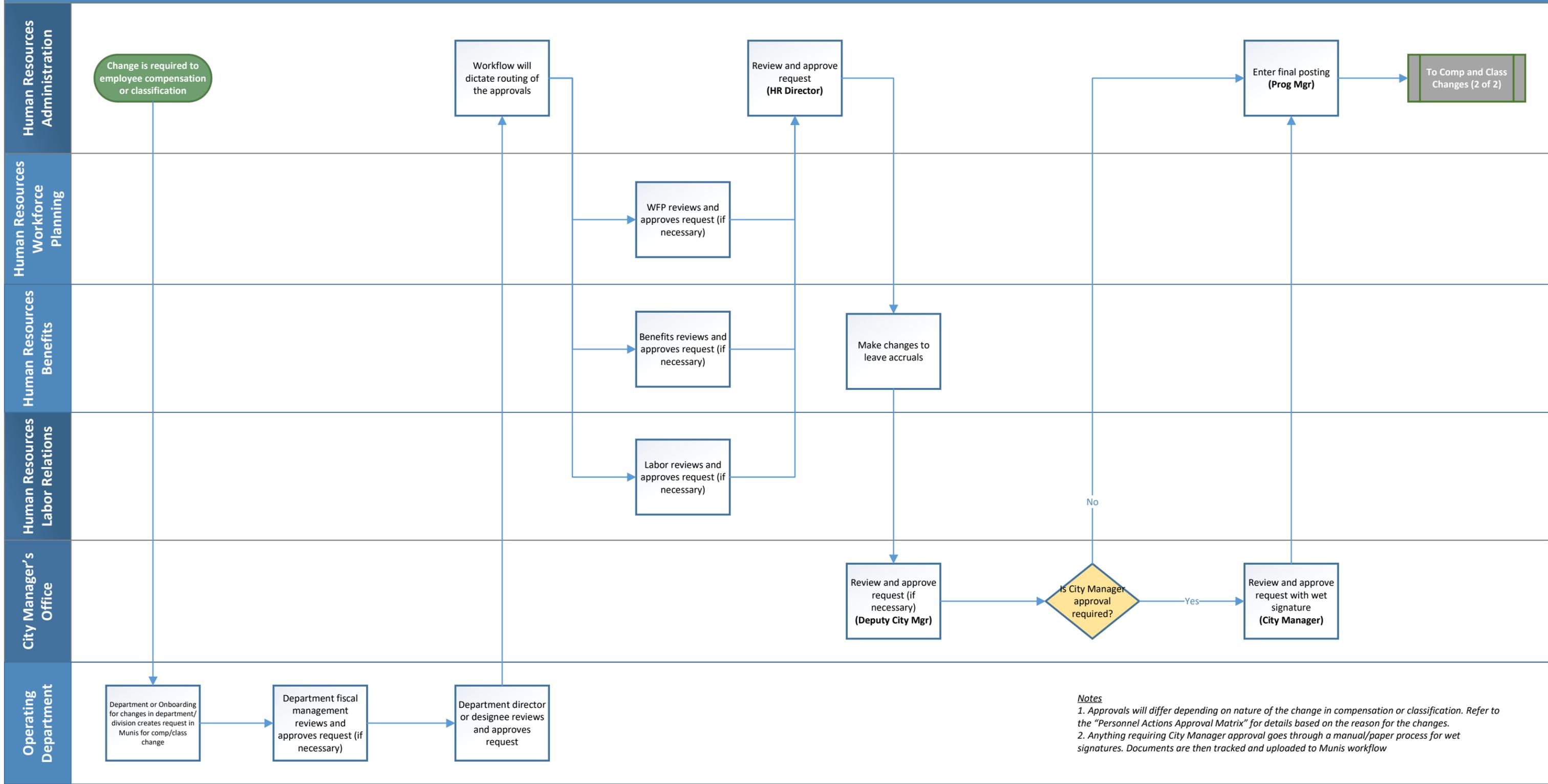
New Employee Set-Up (Map 3 – Page 3 of 3)

Direct Deposit Authorization



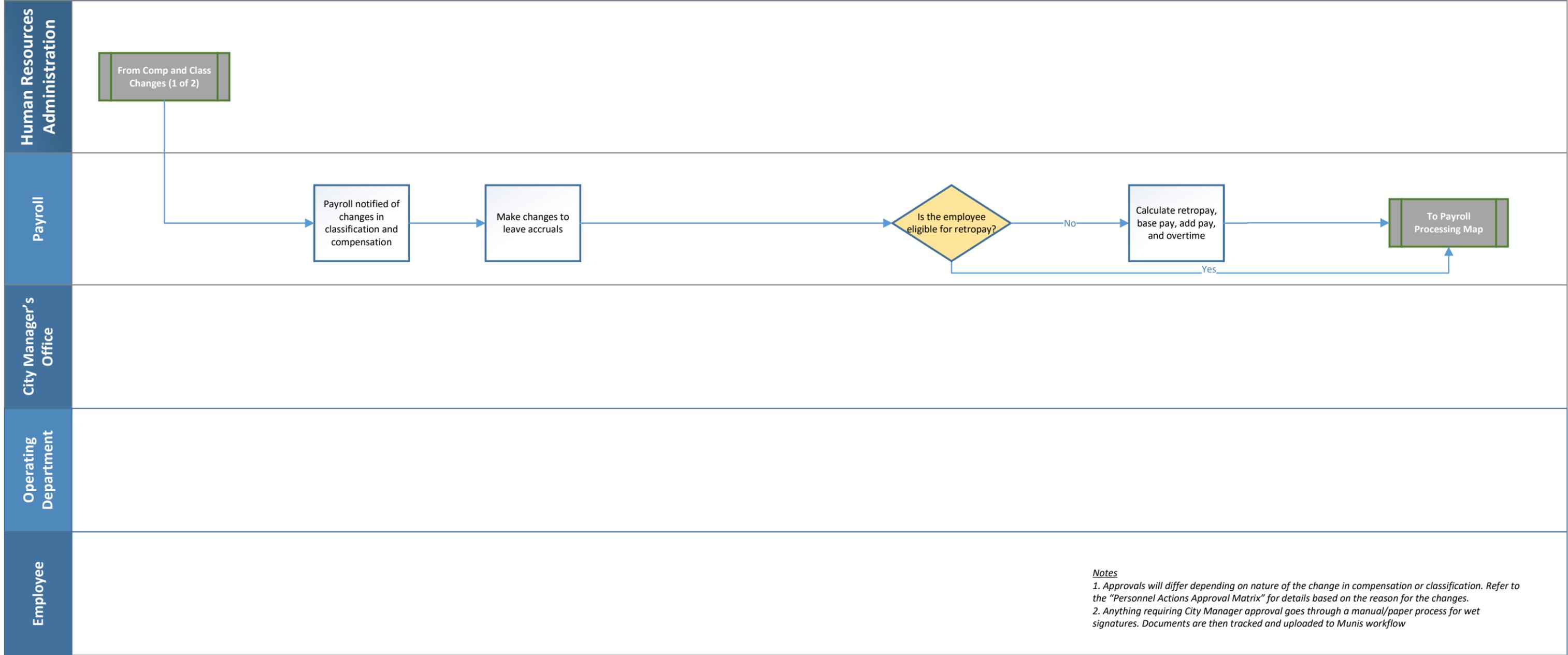
Employee Changes (Map 1 – Page 1 of 5)

Compensation and/or Classification Changes (1 of 2)



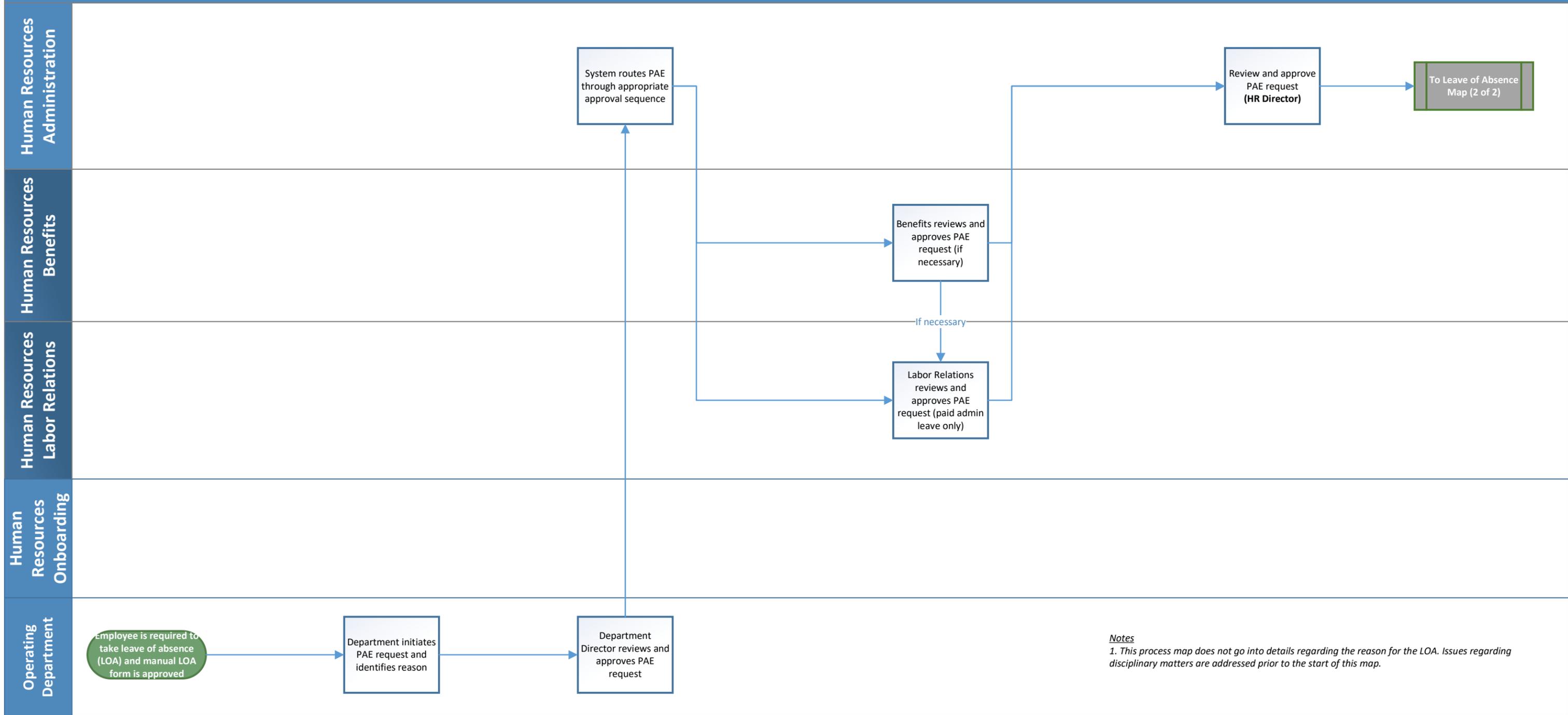
Employee Changes (Map 2 – Page 2 of 5)

Compensation and/or Classification Changes (2 of 2)



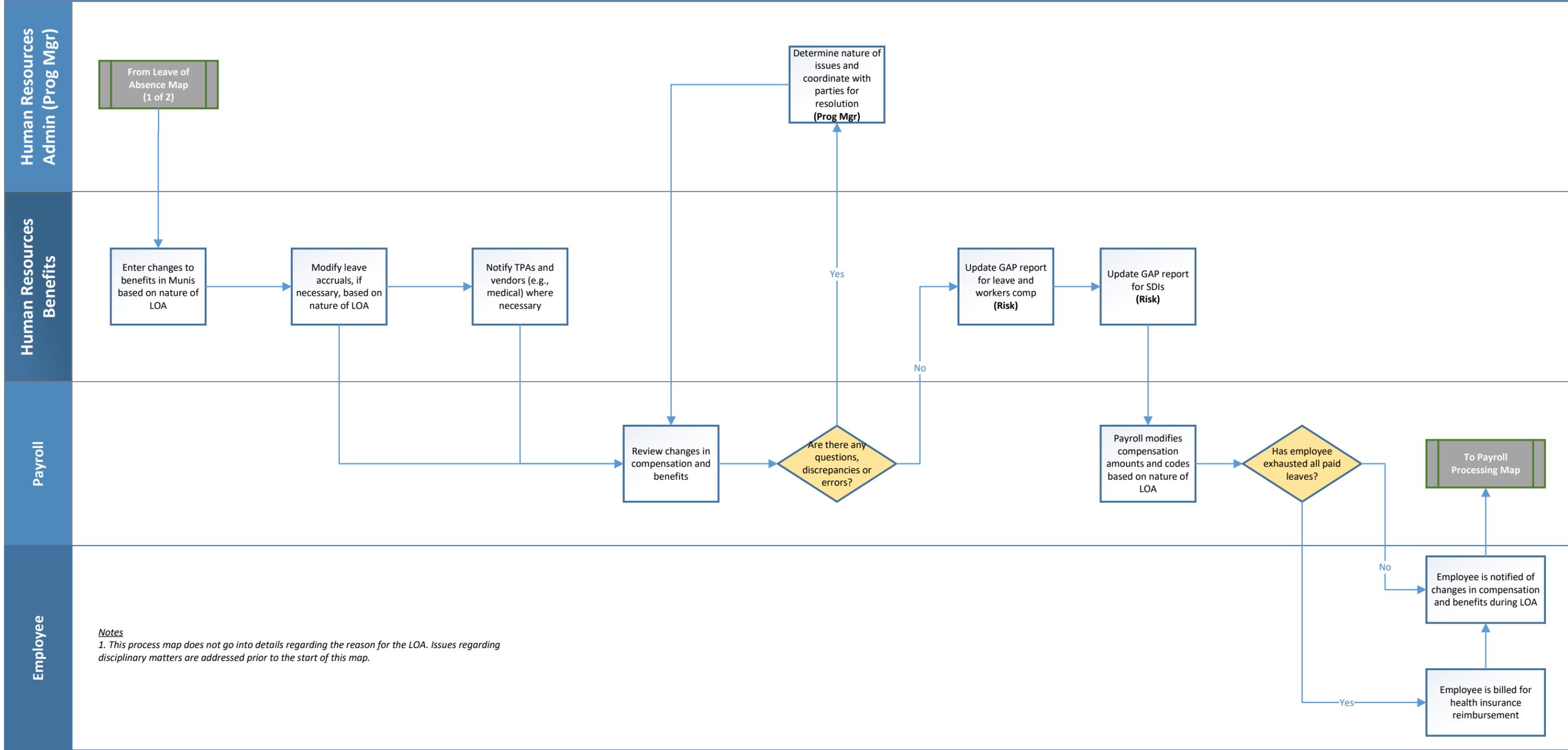
Employee Changes (Map 3 – Page 3 of 5)

Leaves of Absence (1 of 2)



Employee Changes (Map 4 – Page 4 of 5)

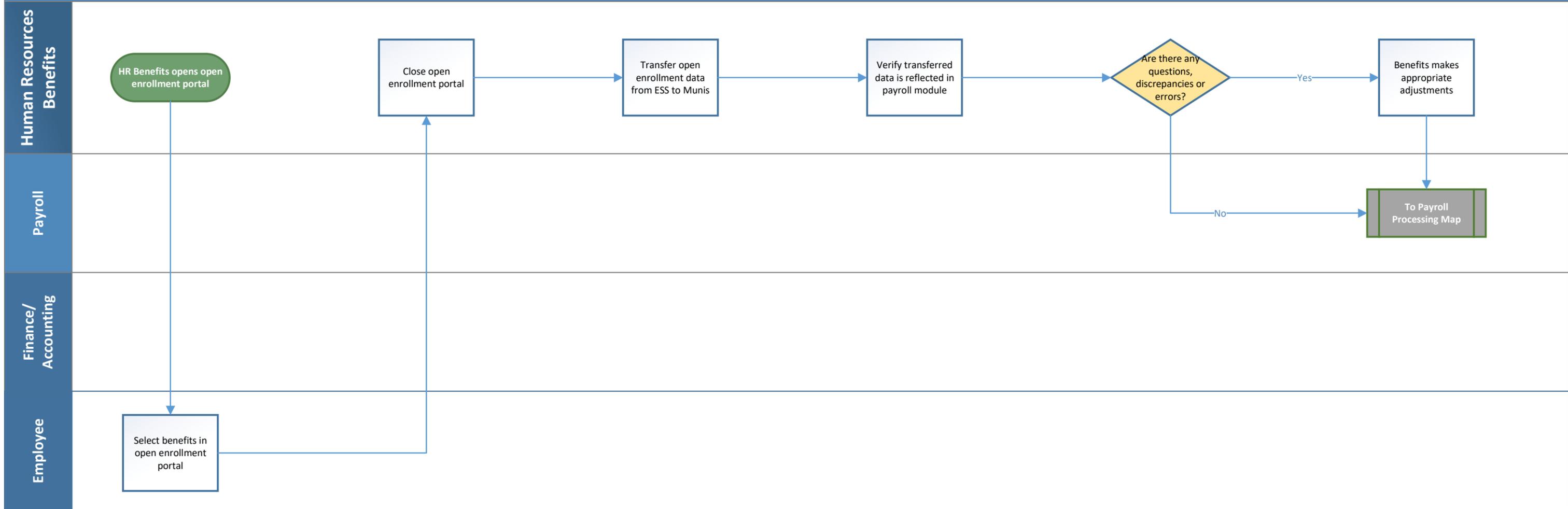
Leaves of Absence (2 of 2)



**Notes**  
 1. This process map does not go into details regarding the reason for the LOA. Issues regarding disciplinary matters are addressed prior to the start of this map.

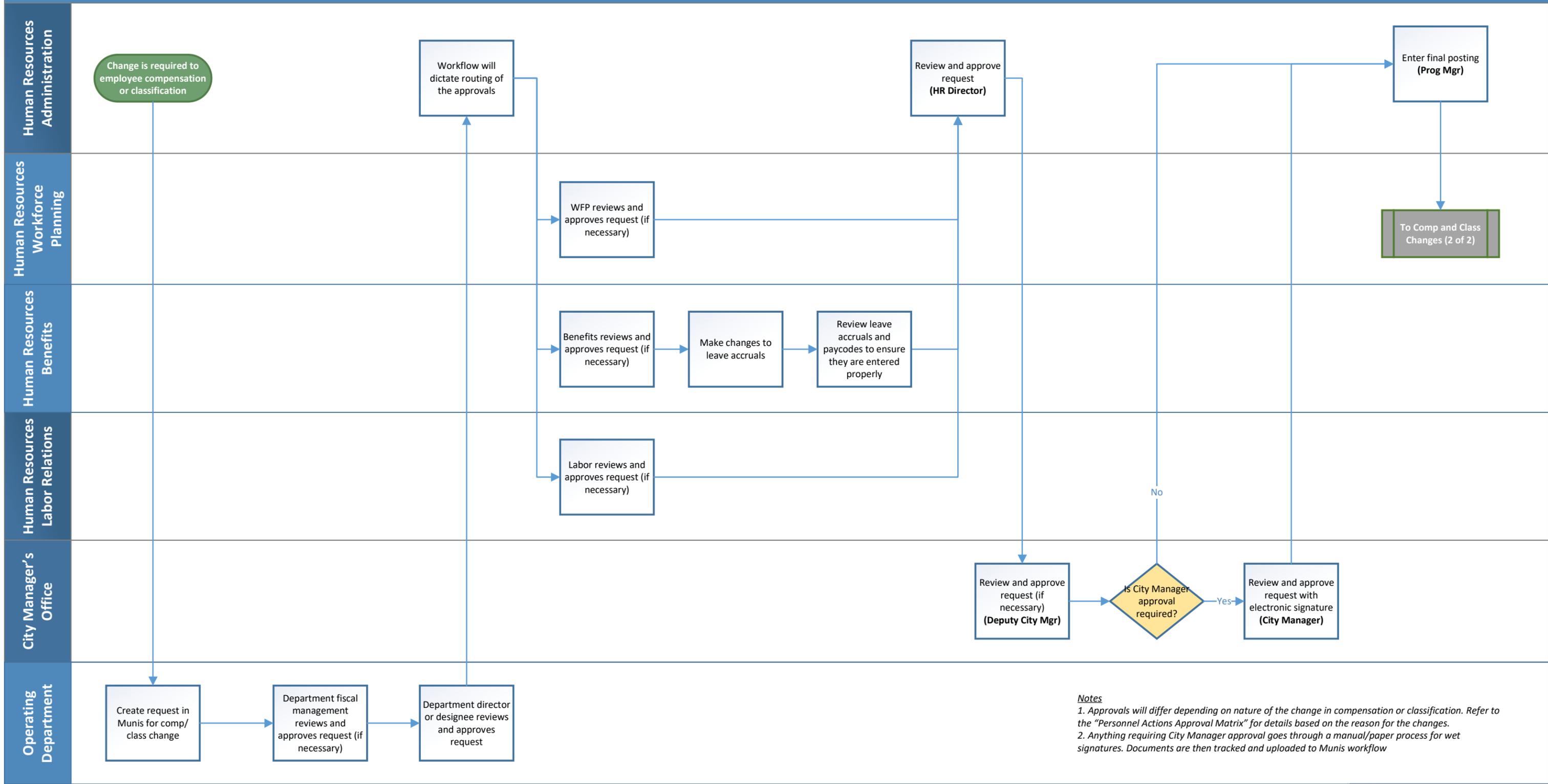
Employee Changes (Map 5 – Page 5 of 5)

Benefits Open Enrollment Changes



Employee Changes (Map 1 – Page 1 of 5)

Compensation and/or Classification Changes (1 of 2)

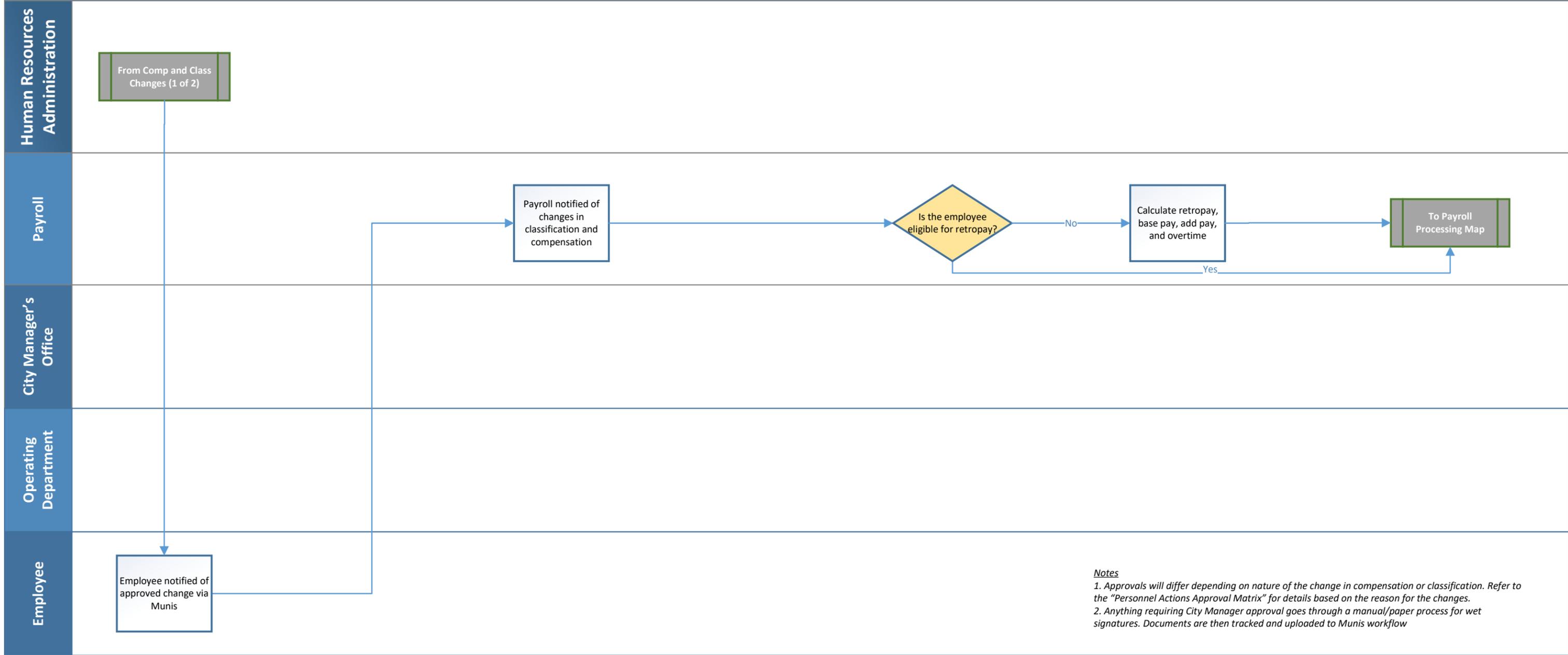


**Notes**  
 1. Approvals will differ depending on nature of the change in compensation or classification. Refer to the "Personnel Actions Approval Matrix" for details based on the reason for the changes.  
 2. Anything requiring City Manager approval goes through a manual/paper process for wet signatures. Documents are then tracked and uploaded to Muni workflow



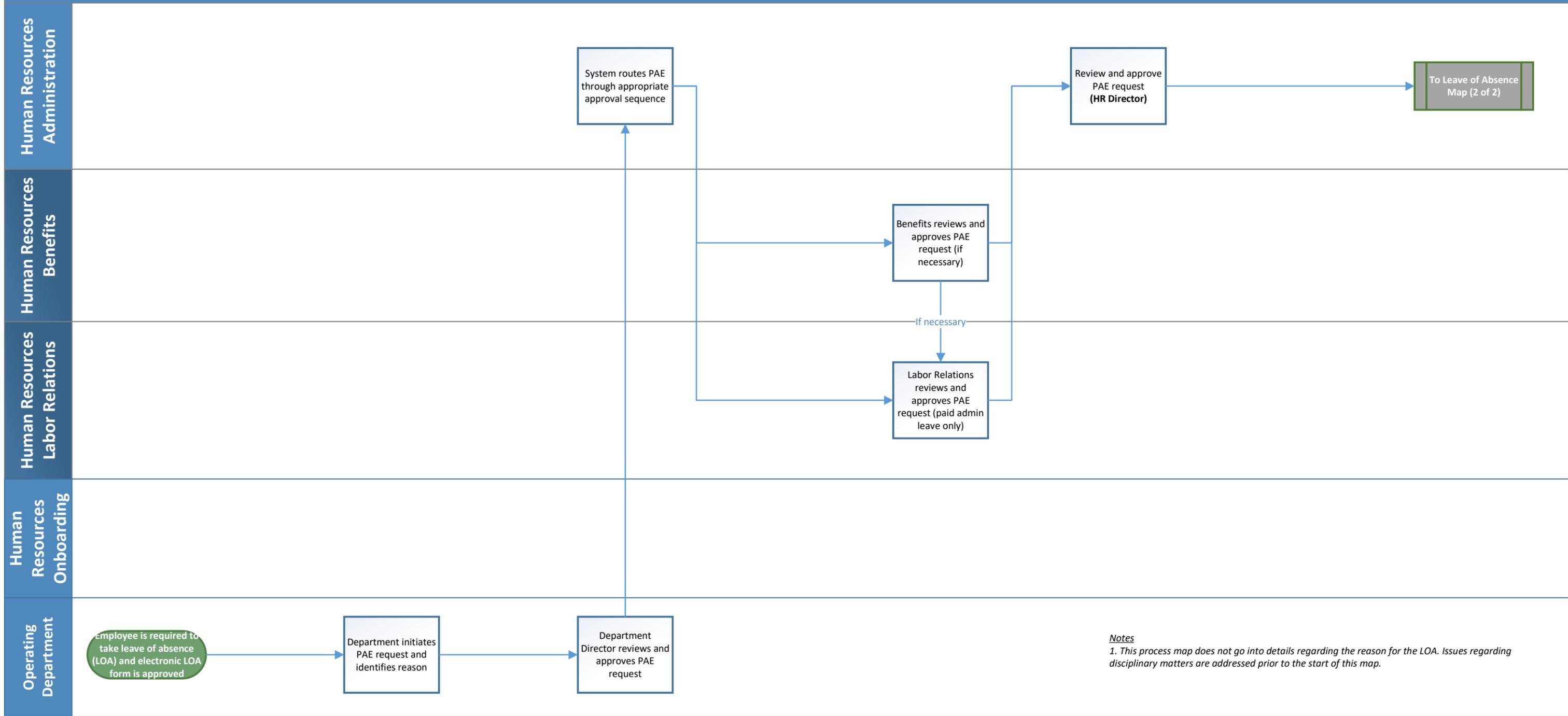
Employee Changes (Map 2 – Page 2 of 5)

Compensation and/or Classification Changes (2 of 2)



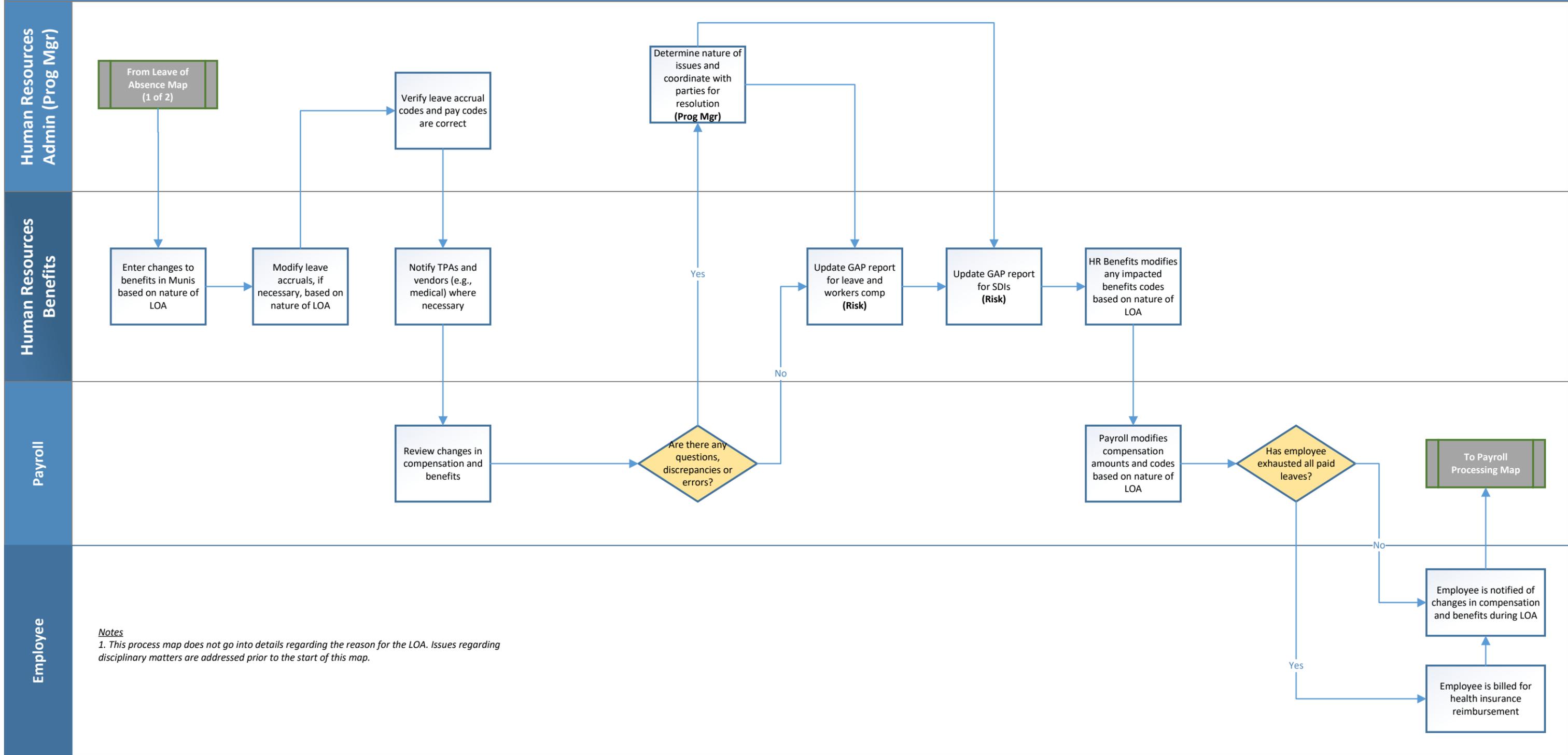
Employee Changes (Map 3 – Page 3 of 5)

Leaves of Absence (1 of 2)



Employee Changes (Map 4 – Page 4 of 5)

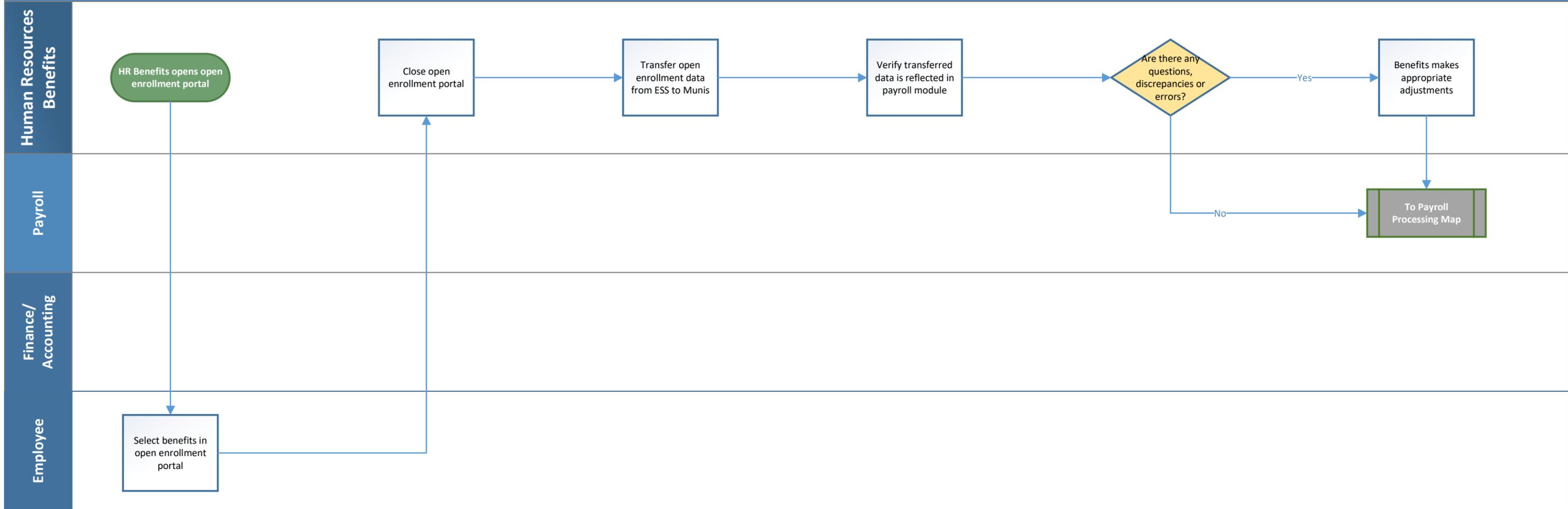
Leaves of Absence (2 of 2)



**Notes**  
 1. This process map does not go into details regarding the reason for the LOA. Issues regarding disciplinary matters are addressed prior to the start of this map.

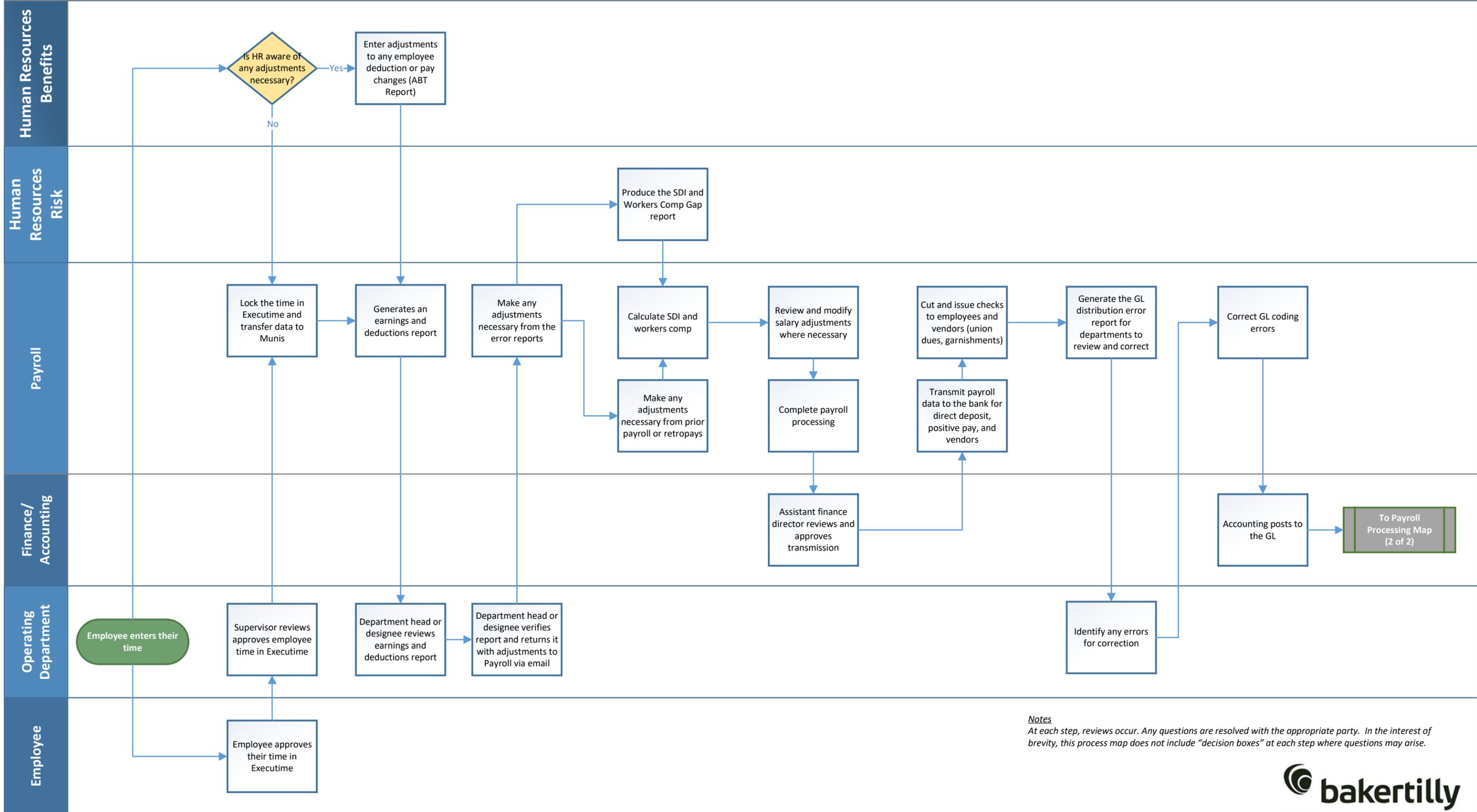
Employee Changes (Map 5 – Page 5 of 5)

Benefits Open Enrollment Changes



Payroll Processing (Map 1 – Page 1 of 2)

Semi-Monthly Payroll Processing

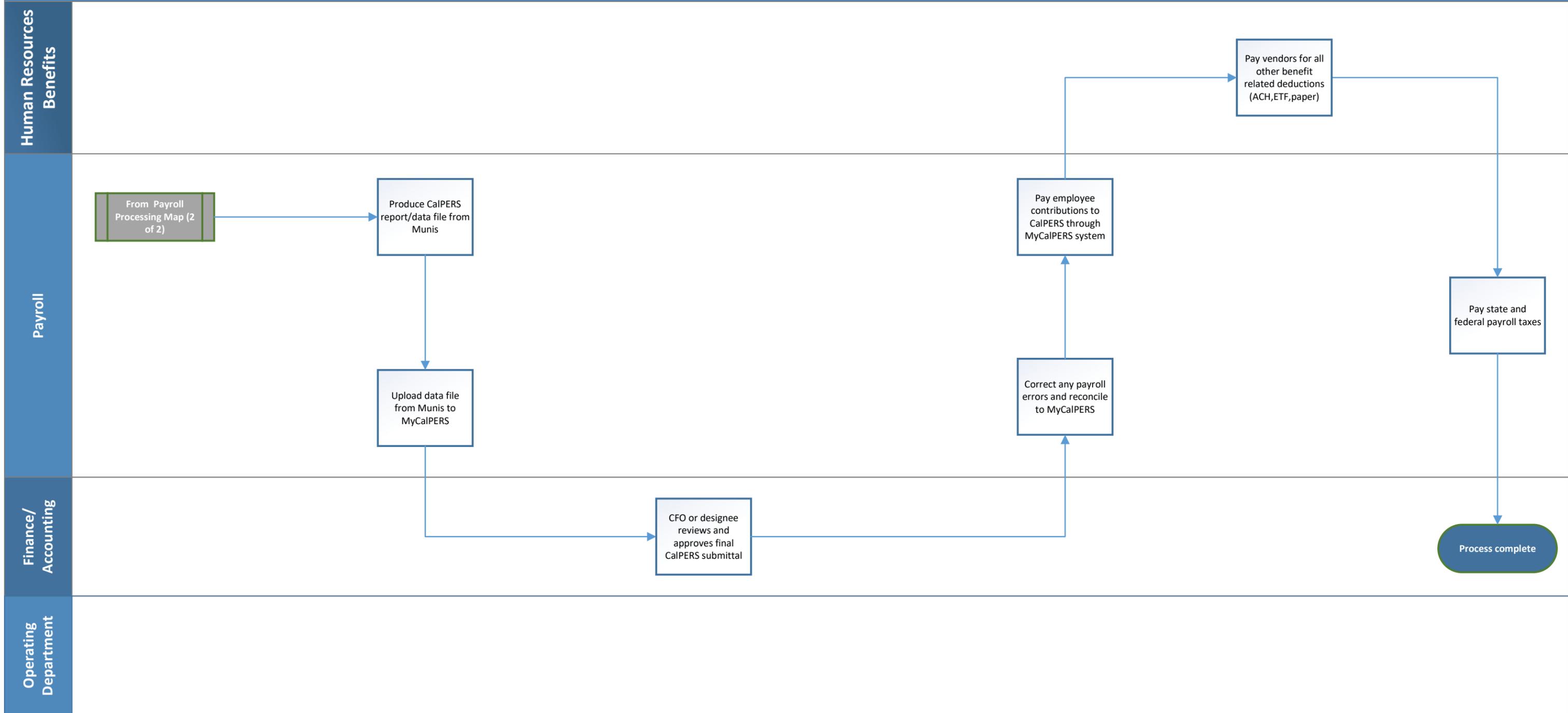


*Notes*  
 At each step, reviews occur. Any questions are resolved with the appropriate party. In the interest of brevity, this process map does not include “decision boxes” at each step where questions may arise.



Payroll Processing (Map 1 – Page 2 of 2)

Semi-Monthly Payroll Processing

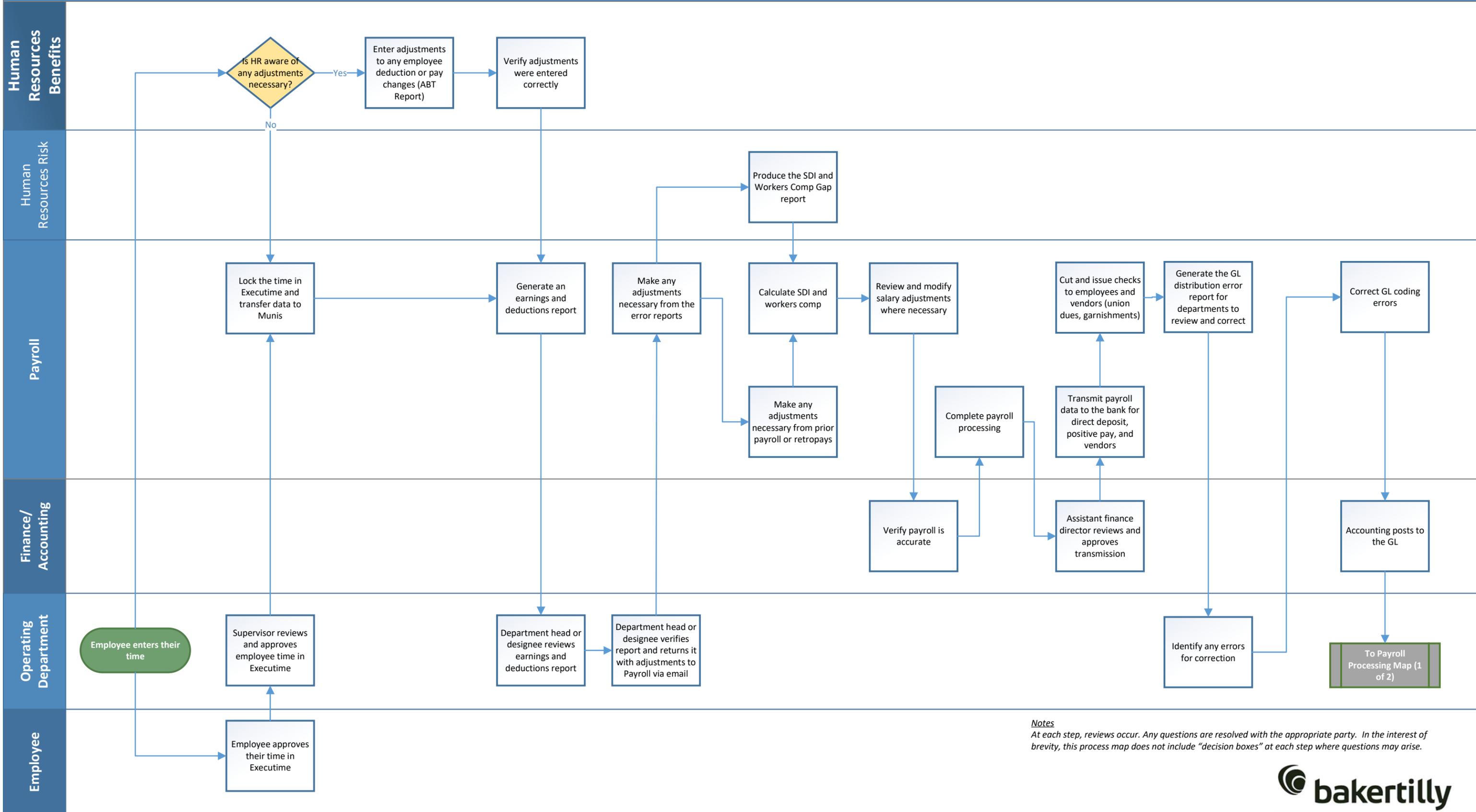


*Notes*  
 At each step, reviews occur. Any questions are resolved with the appropriate party. In the interest of brevity, this process map does not include “decision boxes” at each step where questions may arise.



Payroll Processing (Map 1 – Page 1 of 2)

Semi-Monthly Payroll Processing

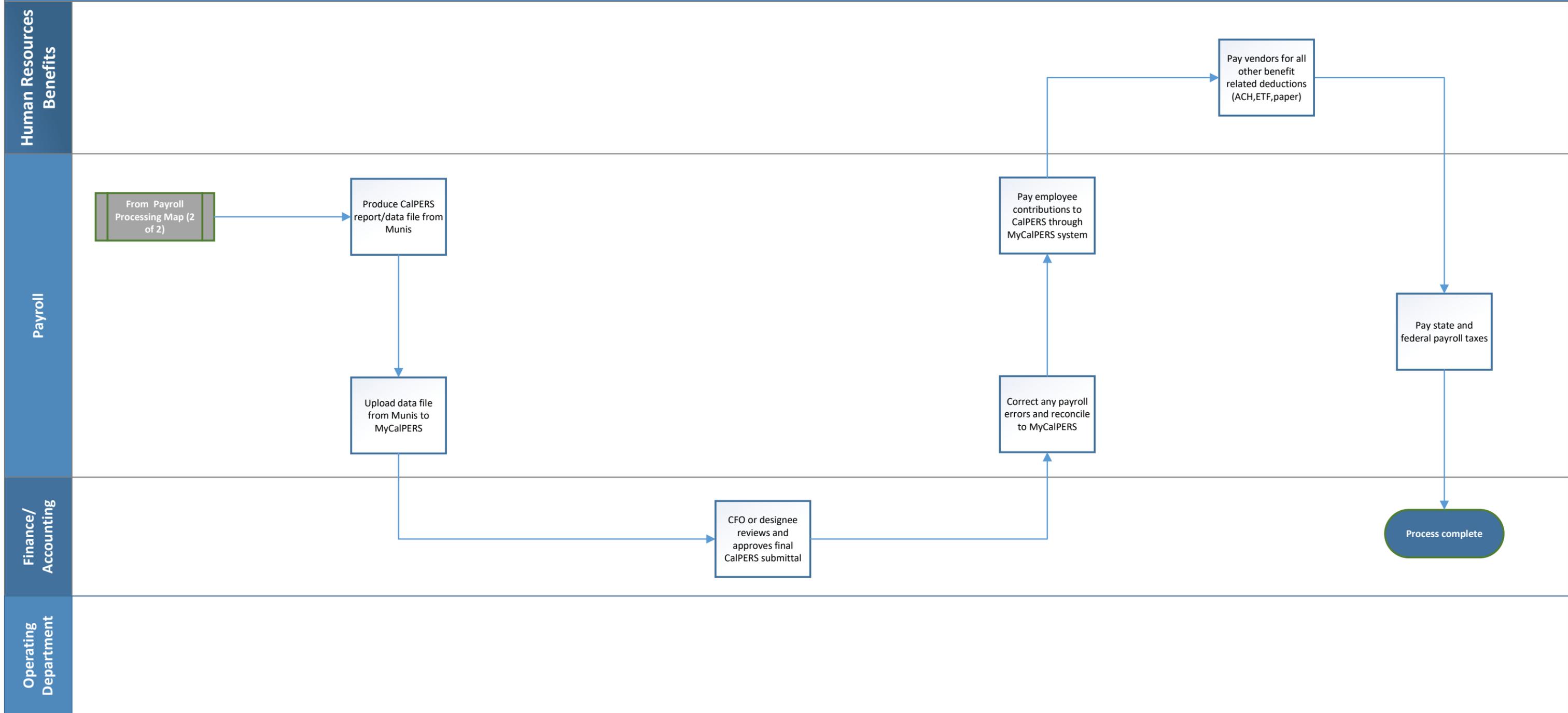


**Notes**  
 At each step, reviews occur. Any questions are resolved with the appropriate party. In the interest of brevity, this process map does not include “decision boxes” at each step where questions may arise.



Payroll Processing (Map 1 – Page 2 of 2)

Semi-Monthly Payroll Processing

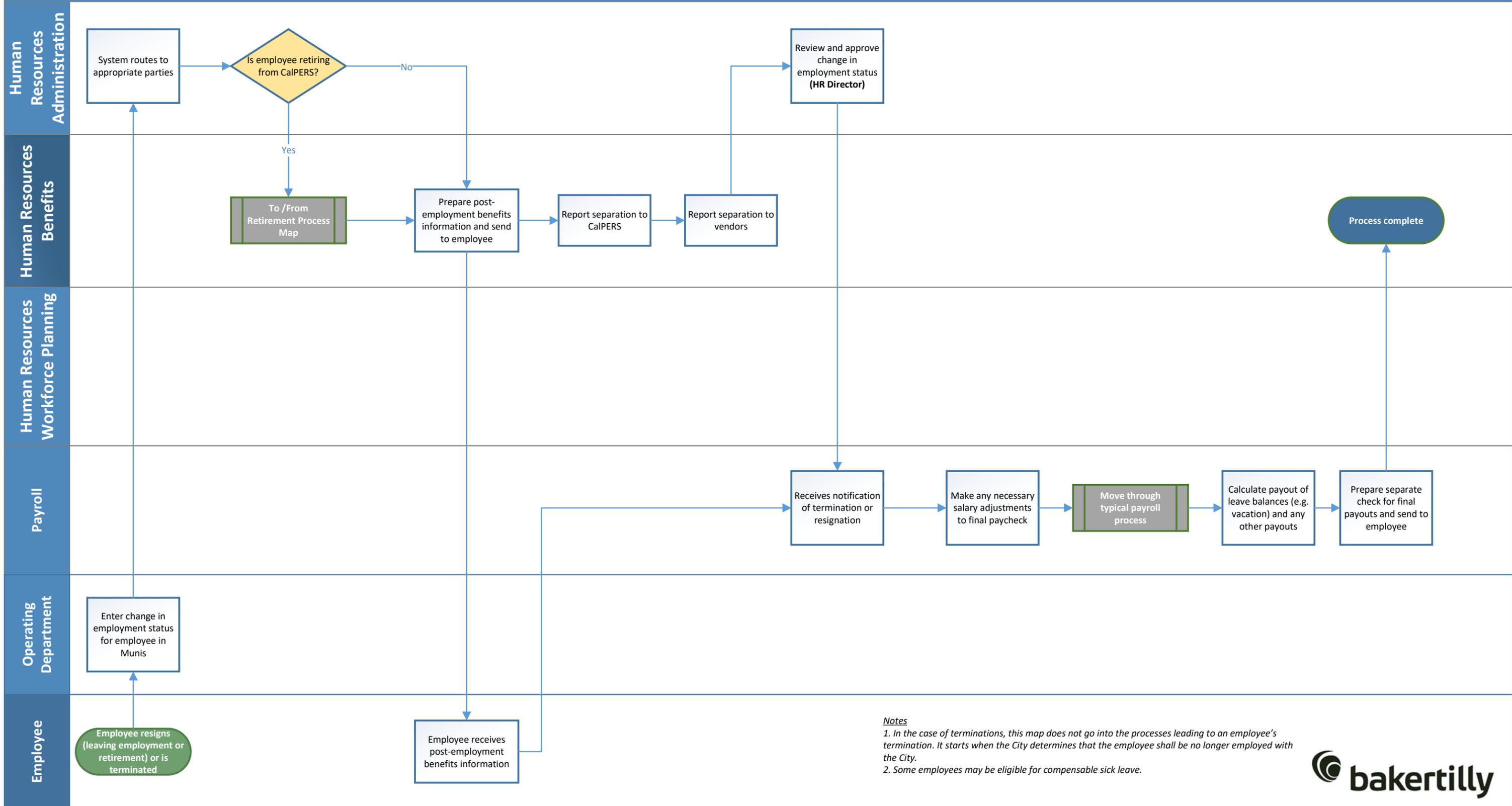


*Notes*  
 At each step, reviews occur. Any questions are resolved with the appropriate party. In the interest of brevity, this process map does not include “decision boxes” at each step where questions may arise.



Separations from Employment (Map 1 – Page 1 of 3)

Resignations or Terminations (including initiation of retirement process)

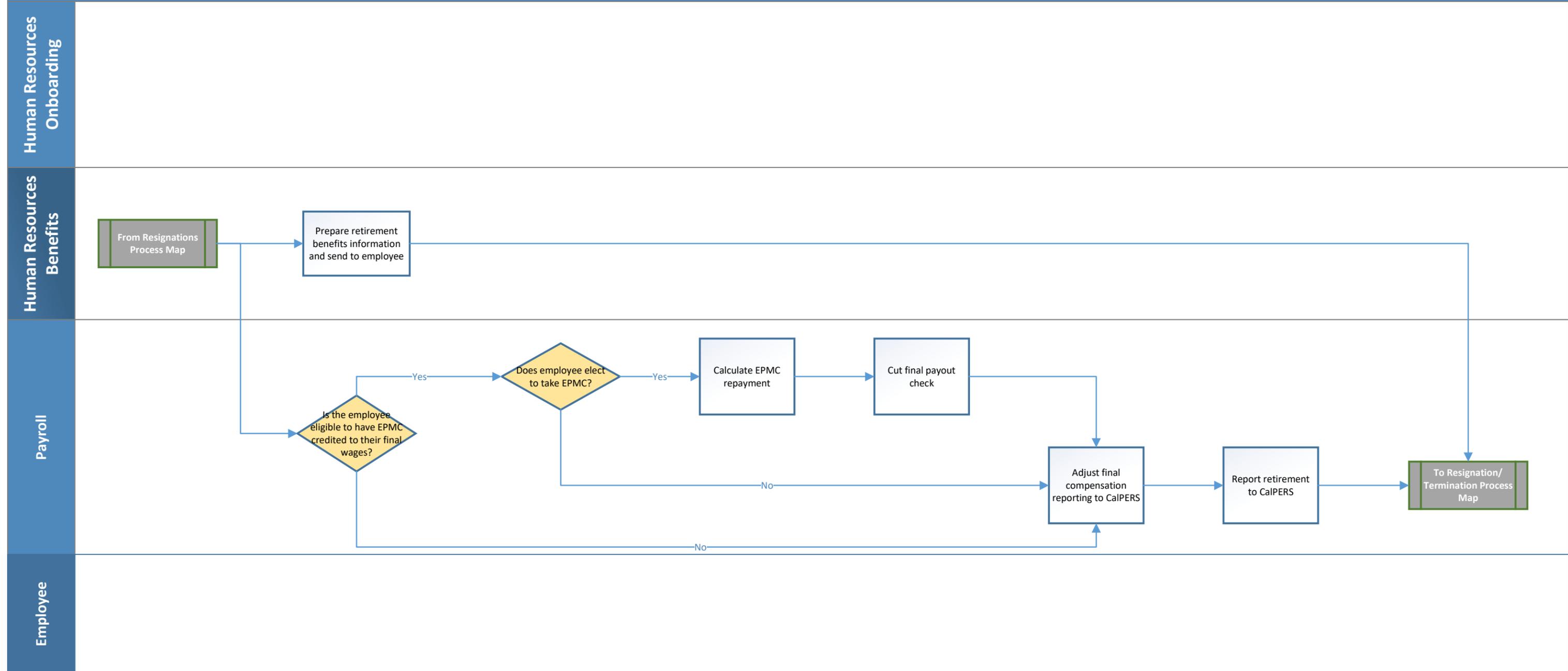


**Notes**  
 1. In the case of terminations, this map does not go into the processes leading to an employee's termination. It starts when the City determines that the employee shall be no longer employed with the City.  
 2. Some employees may be eligible for compensable sick leave.



Separations from Employment (Map 1 – Page 2 of 3)

Retirement

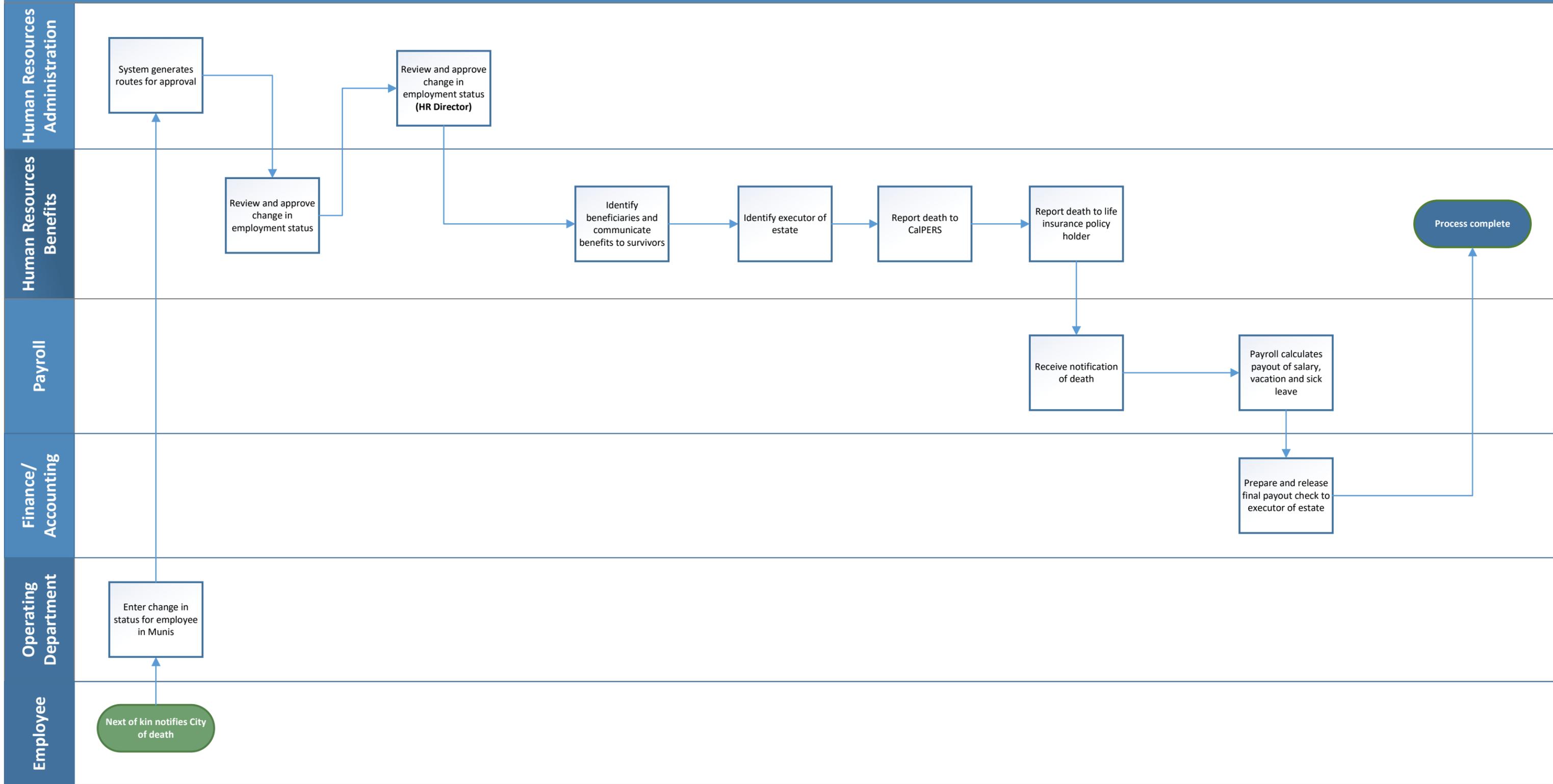


Notes

1) EPMC contributions credited to last year of final pay is subject to the provisions of CalPERS Retirement Code Section 20692

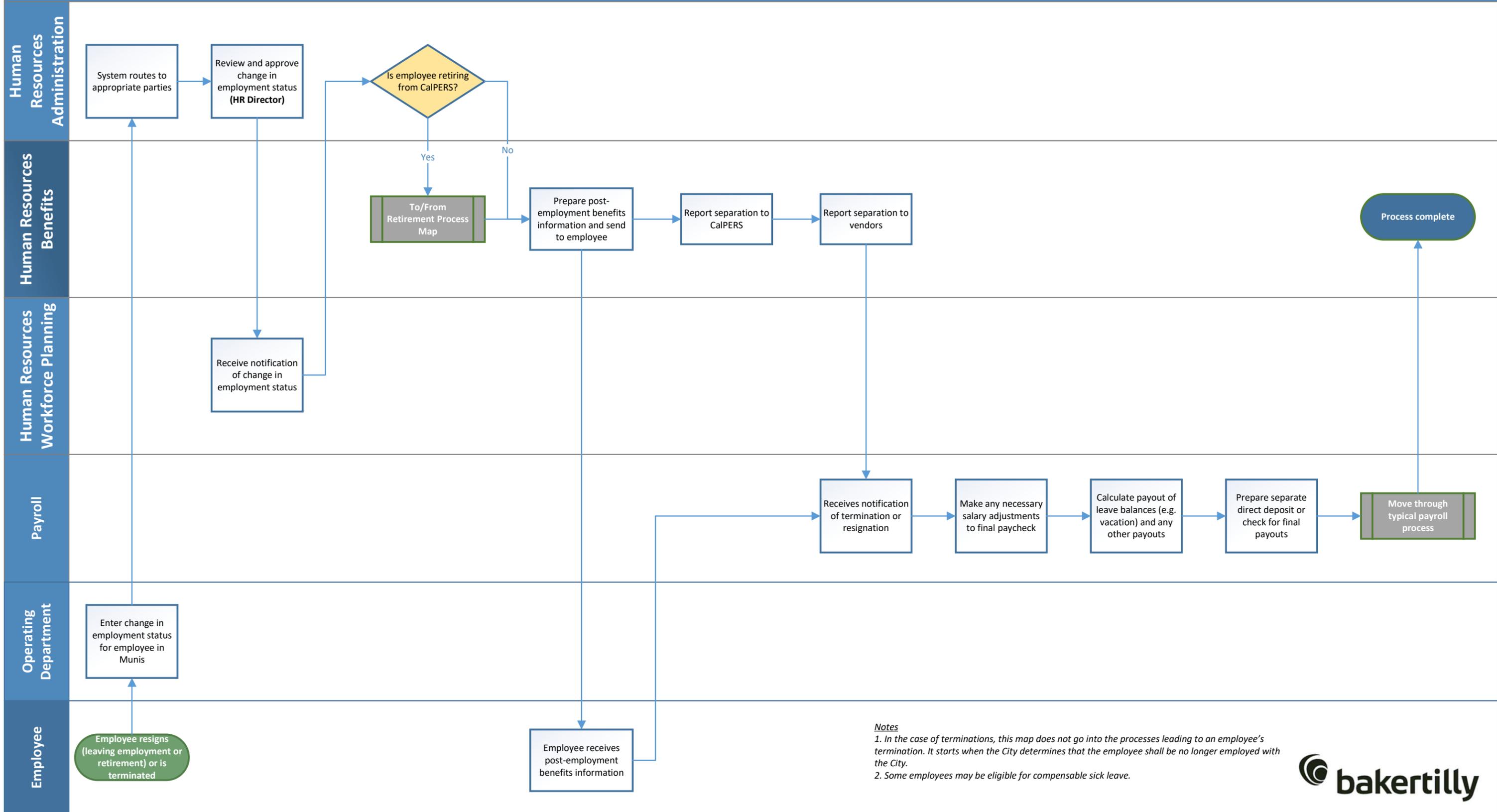
Separations from Employment (Map 3 – Page 3 of 3)

Deceased Employee



Separations from Employment (Map 1 – Page 1 of 3)

Resignations or Terminations (including initiation of retirement process)

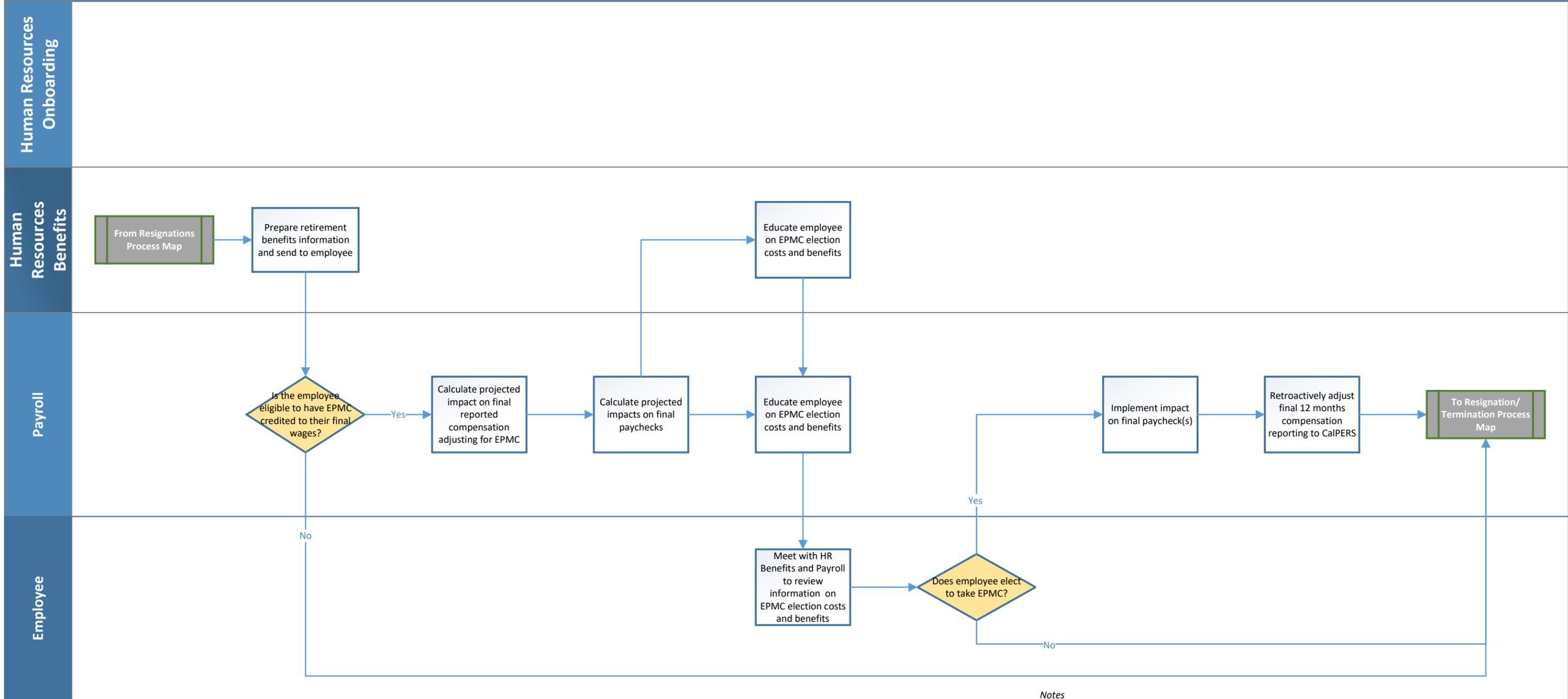


**Notes**  
 1. In the case of terminations, this map does not go into the processes leading to an employee's termination. It starts when the City determines that the employee shall be no longer employed with the City.  
 2. Some employees may be eligible for compensable sick leave.



Separations from Employment (Map 1 – Page 2 of 3)

Retirement



Notes

1) EPMC contributions credited to last year of final pay is subject to the provisions of CalPERS Retirement Code Section 20692

2) The election to retroactively apply EPMC to final compensation is only spelled out as an election for sworn Fire employees. All other MOUs for groups with EPMC make this a mandatory retroactive application.

Separations from Employment (Map 3 – Page 3 of 3)

Deceased Employee

