



Audit of Payroll Process for Uniformed Fire Station Personnel

March 25, 2024

Mark S. Swann, City Auditor

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Executive Summary

Objective and Scope

The objectives of this audit were to evaluate whether Dallas Fire-Rescue's existing controls for uniform firefighters in the Emergency Response Bureau ensure that: (1) paid hours match attendance records; and, (2) pay rates are correct.

The audit scope was limited to the payroll and attendance records of uniformed firefighters who worked 24-hour shifts at Dallas fire stations from October 1, 2020, through September 30, 2022.

Recommendations

Management should:

- Implement written procedures to strengthen controls around payroll data adjustments.
- Monitor and detect payroll errors.
- Design reliable Workday reports.
- Verify eligibility and formalize length of service calculations for additional incentive pay.

Background

Annual hours worked for a uniformed firefighter working 24-hour shifts at Dallas fire stations total 2,808 hours. This translates to 108 hours per 14-day pay period or 216 hours per 28-consecutive-day work period. Uniformed firefighters must be paid overtime for the hours worked beyond 212 hours during a 28-consecutive-day work period.

Uniformed firefighter pay is based on the Dallas Fire-Rescue Uniform Pay Schedule and is determined by the rank of the position and incentives in the Meet and Confer Agreement. During the audit period, an average of 1,560 firefighters worked at 58 fire stations in each 14-day pay period.

Exhibit 1:

Uniform Firefighter Personnel Expenditures

Fiscal Year	2021 Actual	2022 Actual
Personnel Services Without Overtime	\$279,693,263	\$285,488,823
Overtime	24,954,150	42,017,995
Total:	\$304,647,413	\$327,506,818

Source: AMS (Budgeted amounts in Exhibit 2 on p. 8).

Observed Conditions

Existing controls ensure that uniformed firefighters' base pay rates are correct. However, there are opportunities for improvement related to:

- Documentation of payroll data adjustments.
- Detection of Workday errors.
- Documentation of eligibility to receive additional incentive pay.
- Calculation of eligible length of service for Emergency Medical Service Pay.

Objectives and Conclusions

1. Do existing controls ensure that paid hours match attendance records?

Yes. Uniform firefighters' paid work hours and time-off hours recorded in Workday are supported by attendance records (such as station rosters, call assignments, etc.) at fire stations. A review of payroll entries in a representative random sample¹ of 60 pay periods showed that all payroll entries were supported by attendance records at fire stations.

However, initial payroll inputs performed by fire station supervisors do not always match final Workday pay stubs due to subsequent adjustments of payroll data in Workday. (See [Observation A.](#))

2. Do existing controls ensure that uniform firefighters' base pay rates are correct?

Yes. Uniform firefighters' base pay rates match the rates agreed to by the City of Dallas and the firefighters' associations. A review of a representative random sample of 60 firefighters employed during the audit period shows that all 60 were paid correct base rates according to the step tables listed in the Meet and Confer Agreement.

3. Do existing controls ensure that firefighters' additional incentive pay rates associated with education, tenure, language skills, special teams, and certifications are correct?

Generally, yes. However, there are opportunities for improvement related to the retainment of documents supporting firefighters' eligibility to receive additional incentive pay and the department's approach to calculating the eligible length of service. For example:

- Neither the Dallas Fire Rescue nor the Department of Human Resources could locate supporting documents to prove 18 firefighters' eligibility for additional incentive pay. (See [Observation B.](#))
- The Dallas Fire-Rescue calculated Emergency Medical Service incentive pay using rules not formalized in a written procedure. (See [Observation C.](#))

¹ Sample was drawn using Audit Control Language (ACL) Analytics with the following parameters: 95 percent confidence, five percent upper error limit, and expected error rate of zero percent.

Audit Results

Both *City Council Resolution 88-3428* and Administrative Directive 4-09, *Internal Control* prescribe policy for the City to establish and maintain an internal control system. The audit observations listed are offered to assist management in fulfilling their internal control responsibilities.

Observation A: Accuracy of Workday Payroll Data

While uniform firefighters' paid work hours and time-off hours recorded in Workday are supported by attendance records (such as station rosters, call assignments, etc.) at fire stations, initial payroll inputs sometime differ from the final pay stubs. This makes it difficult for Dallas Fire-Rescue to demonstrate that the pay stubs amounts are supported by the actual worked hours.

A review of payroll entries in a representative random sample of 60 pay periods² showed that all payroll entries were supported by attendance records at fire stations. However, initial payroll inputs in IDS 140³ performed by fire station supervisors do not always match final Workday pay stubs due to subsequent adjustments of payroll data in Workday.

Adjustments

Between October 1, 2020, and September 31, 2022, the City processed 52 uniform payrolls (or twenty-six 28-day work periods) for an average of 1,560 firefighters working at Dallas fire stations. Sometimes, the initial time-off entries had to be adjusted, i.e., corrected retrospectively to reflect new circumstances. Such corrections are performed in Workday by staff at Dallas Fire Rescue or the City Controller's Office using the Workday "business processes," which control user access rights, editing privileges, and require approval of changes by a user with a higher level of privilege. Dallas Fire-Rescue does not require matching corrections of initial inputs in IDS 140, the Fire Rescue's database. Audit estimates show that up to 9 percent of all time-off hours in Workday may have been adjusted because they do not match with the initial IDS entries.

A review of 46 adjustments in Workday shows that neither the Dallas Fire-Rescue payroll group nor the City Controller's Payroll Administration have any documentation to explain who requested and approved the adjustments, the purpose of the adjustments, and whether the adjustments were performed correctly. This is because neither of the departments have formal

² Sample was drawn using Audit Control Language (ACL) Analytics with the following parameters: 95 percent confidence, five percent upper error limit, and expected error rate of zero percent.

³ Internal Document System – the Dallas Fire-Rescue department intranet site established for user access to department documents. There is a scheduling and attendance application within IDS called IDS 140. Dallas Fire-Rescue used IDS during the audit period, but currently uses Telestaff for time entry and scheduling.

written procedures on how to request, approve, perform, and document changes to payroll information in Workday.

In addition, in one instance, Workday incorrectly overpaid a firefighter for overtime by ten hours in a pay period when an injury leave code was updated. This error led to an overpayment of \$131. City Controller performs numerous verifications and audits to ensure the accuracy of payroll processing. However, the overall extent and impact of Workday processing errors cannot be determined because Workday reports designed to show hours worked, pay codes, hours paid, and subsequent changes are not available and existing payroll reports are not reliable for this purpose.

Criteria:

- ❖ *Fair Labor Standards Act*
- ❖ *Meet and Confer Agreement*
- ❖ *Dallas Fire-Rescue Manual of Procedures*
- ❖ Dallas City Code. Chapter 34, *Personnel Rules*
- ❖ Standards for Internal Control in the Federal Government:
 - *Principle 10 – Design Control Activities*
 - *Principle 12 – Implement Control Activities*
 - *Principle 16 – Perform Monitoring Activities*

Assessed Risk Rating:

Moderate

We recommend the **Fire Chief** and the **City Controller**:

A.1: Implement written procedures on how to request, approve, perform, and document adjustments to payroll data in Workday.

We recommend the **City Controller**:

A.2: Collect an overpayment of \$131 resulting from a payroll error in Workday.

A.3: Design Workday reports that show hours worked, pay codes, hours paid, and subsequent changes and use these reports for detecting Workday processing errors.

We recommend the **Fire Chief**:

A.4: Implement a written procedure requiring changes to the input data in IDS 140/Telestaff to match retrospective payroll adjustments made in Workday.

Observation B: Eligibility for Additional Incentive Pay

Neither the Dallas Fire-Rescue nor the Department of Human Resources could locate documents supporting some firefighters' eligibility for additional incentive pay for a sample of 60 firefighters. According to the *Dallas Fire-Rescue Records Retention Schedule* and the *State Library and Archives Commission Local Government Retention Schedule GR 1050-52*, these documents are required to be retained for ten years post-separation. The missing documents are:

- College transcripts and calculations of credit hours supporting Education Incentive Pay eligibility for at least 14 firefighters. According to Dallas Fire-Rescue, they can only access college transcripts submitted by firefighters directly to the Dallas Fire-Rescue Payroll Group after the start of the audit period. Transcripts submitted prior to the audit period have been archived at an off-site location and can only be accessed with an additional cost.
- Certificates that support Paramedic Certification Pay eligibility during the audit period for at least two firefighters. Texas Department of State Health Services tracks Paramedic Certification on its website. Paramedics re-certify every four years. However, the state website only shows current certificates. Both firefighters in question are shown as currently certified to work as paramedics.
- A Test Score Certificate and Form P-337A (Language Skills Questionnaire Form) that supports Language Skills Assignment Pay for at least two firefighters.

The Dallas Fire-Rescue does not have a written procedure to periodically verify firefighters' eligibility for incentive pay. As a result, some uniformed firefighters' incentive pay eligibility may not be supported by documentation. During the audit period, the total unsupported additional incentive pay received by the 18 firefighters in the sample was approximately \$51,000.

Criteria

- ❖ City Code. Chapter 39C, *Records Management Program*
- ❖ *Dallas Fire-Rescue Records Retention Schedule*
- ❖ *Texas State Library and Archives Commission Local Government Retention Schedule GR 1050-52*
- ❖ Administrative Directive 3-37, *Language Skills and Assignment Pay*
- ❖ *Meet and Confer Agreement*
- ❖ *Dallas Fire-Rescue Manual of Procedures*

Assessed Risk Rating:

Moderate

We recommend the **Fire Chief**:

B.1: Ensure the Dallas Fire-Rescue follows the *Dallas Fire-Rescue Records Retention Schedule* and the Texas State Library and Archives Commission's requirements for the retention of documents supporting firefighters' eligibility for additional incentive pay.

B.2: Implement a written procedure to periodically verify all firefighters' eligibility for additional incentive pay by inspecting the required documents.

B.3: Collect any missing documents supporting firefighters' eligibility for additional incentive pay.

We recommend the **City Controller:**

B.4: Collect overpayment of wages from firefighters not eligible for additional incentive pay.

Observation C: Emergency Medical Service Assignment Pay Eligibility

When calculating the Emergency Medical Service Assignment Pay, the Dallas Fire-Rescue used rules not formalized in a written procedure. For example, to calculate the eligible years of service for a firefighter who has a gap in the continuous employment with the Dallas Fire-Rescue, the department added the years the uniformed firefighter served prior to termination of employment to the years after the termination. This mirrors Meet and Confer agreement rules for Longevity Pay. However, this is not explicitly written as a rule for Emergency Medical Service Assignment Pay. The absence of a written rule for this specific situation may have led to \$1,200 of potential overpayment during the audit period.

Criteria

- ❖ *Meet and Confer Agreement*
- ❖ *Dallas Fire-Rescue Manual of Procedures*
- ❖ Dallas City Code. Chapter 34, *Personnel Rules*
- ❖ Standards for Internal Control in the Federal Government:
 - *Principle 10– Design Control Activities*
 - *Principle 12– Implement Control Activities*

Assessed Risk Rating:

Low

We recommend the **Fire Chief**:

C.1: Implement formal written procedures for calculating years of service consideration for Emergency Medical Service Assignment Pay.

We recommend the **City Controller**:

C2: Collect overpayment from firefighters not eligible for Emergency Medical Service Assignment Pay.

Appendix A: Background and Methodology

Background

The City of Dallas has 58 fire stations that are distributed into nine battalions, which are in turn divided into two divisions. Each division is headed by a Deputy Chief, and each battalion is headed by a Battalion Chief. There are three 24-hour watches which are shifts A, B, and C. There are 27 Battalion Chiefs and six Deputy Chiefs. As such, in any given shift, nine Battalion Chiefs and two Deputy Chiefs are on duty. During the audit period, an average of 1,560 firefighters worked at 58 fire stations in each 14-day pay period.

Hours Worked and Pay Rates

Hours worked and pay rates of uniformed firefighters with the Dallas Fire-Rescue are regulated by the Fair Labor Standards Act ("FLSA"), Texas Local Government Code's Chapter 142. Assistance, Benefits, and Working Conditions of Municipal Officers and Employees, City of Dallas Personnel Rules, and the Meet and Confer agreement. Uniformed firefighter pay rates are based on the Dallas Fire-Rescue Uniform Pay Schedule and determined by the rank of the position held according to the current Meet and Confer. This amount is their base rate of pay. Special pays associated with education, tenure, language skills, special teams, and certifications are added to the firefighters' base rate of pay. Annual hours worked for uniformed firefighters are 2,808, which is 108 hours per pay period. Overtime for uniformed firefighters is regulated by the FLSA, and they must be paid overtime for the hours worked beyond 212 during the 28-consecutive-day work periods.

Exhibit 2:

Dallas Fire-Rescue Uniform Firefighter Personnel Expenditures

Fiscal Year	2021 Budget	2021 Actual	2022 Budget	2022 Actual
Personnel Services Excluding Overtime	\$285,149,516	\$279,693,263	\$294,931,358	\$285,488,823
Overtime	24,477,486	24,954,150	31,217,753	42,017,995
Total:	\$309,627,002	\$304,647,414	\$326,149,111	\$327,506,818

Source: AMS

Attendance Review and Approval, Payroll Processing, and Adjustments

Dallas-Fire Rescue has daily procedures to ensure minimum staffing by checking attendance and calling additional uniformed staff if necessary. Also, a Station Officer (supervisor), who is typically either a Lieutenant or a Captain, enters the attendance time for each uniformed firefighter

through IDS 140/Telestaff⁴. A Battalion Chief and a Deputy Chief review and authorize absences, unscheduled overtime, temporary assignments, and other exceptions to a normal schedule. Dallas Fire-Rescue Payroll makes sure these entries were electronically signed by the Battalion Chiefs and the Deputy Chiefs prior to transferring the approved exceptions to Workday.

Every pay period (every two weeks), City Controller's Payroll Administration and Human Resource System Information Division of Human Resources process payroll in Workday. The City Controller's Payroll Administration is responsible for Workday configurations related to payroll side and the Human Resource System Information Division is responsible for configurations related to time side.

According to Dallas Fire-Rescue Payroll group, there may be about 30 to 50 subsequent adjustments that are made after a payroll period closes. These are changes to recorded work hours, pay rates, or both. Currently, there are no written procedures regulating how to request, approve, perform, and document subsequent adjustments. According to the Dallas Fire-Rescue, records of hours worked in Workday can be changed by either the Dallas Fire-Rescue Payroll group or by the City Controller's Payroll Administration. Retroactive pay can be completed by the City Controller's Payroll Administration. There is no written requirement to retain any supporting documentation on the initiation, approval, and processing of these adjustments.

Methodology

The audit methodology included:

- (1) Interviewing personnel from the Dallas Fire-Rescue, City Controller's Office, Human Resources, and other city departments.
- (2) Reviewing policies and procedures, the *Meet and Confer Agreement*, Fair Labor Standards Act rules, Texas Local Government Code, applicable Administrative Directives, City Code, and Dallas City Council briefings.
- (3) Performing various analyses.
- (4) Applying all five components of *Standards for Internal Control in the Federal Government*.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

⁴ Dallas Fire-Rescue used IDS during the audit period, but currently uses Telestaff for time entry and scheduling.

Major Contributors to the Report

Brandon Boykin - Auditor

Shino Knowles, CPA – In-Charge Auditor

Anatoli Douditski, MPA, CIA, CFE, ACDA – Engagement Manager

Appendix B: Management's Response

Memorandum



CITY OF DALLAS

DATE: March 19, 2024
TO: Mark S. Swann – City Auditor
SUBJECT: Response to Audit of Payroll Process for Uniformed Fire Station Personnel

This letter acknowledges the City Manager's Office received the *Audit of Payroll Process for Uniformed Fire Station Personnel* and submitted responses in consultation with the City Controller's Office.

Due in part to their unique scheduling, the uniform Dallas Fire-Rescue payroll process is particularly complex. In light of this, the Dallas Fire-Rescue department and the City Controller's Office are satisfied the audit concluded that existing controls ensure paid hours match attendance records, uniform firefighters' base rates are correct, and uniform firefighters' additional incentive pay rates associated with education, tenure, language skills, special teams, and certifications are generally correct.

The Dallas Fire-Rescue department and the City Controller's Office recognize that there are opportunities to improve the Dallas Fire-Rescue payroll process. In addition to implementing enhancements already in process, management agrees to:

- Implement written procedures on how to request, approve, perform, and document adjustments to payroll data in Workday;
- Collect an overpayment of \$131 resulting from a payroll error in Workday;
- Ensure input data matches retrospective payroll adjustments made in Workday;
- Ensure the Dallas Fire-Rescue department retains documents supporting firefighters' eligibility for additional incentive pay;
- Verify, on a sample basis, eligibility for incentive pay for firefighters hired after 9/30/2023;
- Follow existing procedures to collect overpayments for employees identified by the Dallas Fire-Rescue department as not eligible for additional incentive pay;
- Formalize its existing process for calculating Emergency Medical Service Assignment Pay; and
- Follow existing procedures to collect overpayments for employees identified by the Dallas Fire-Rescue department as not eligible for Emergency Medical Service Assignment Pay.

Management will accept the risk associated with two recommendations related to developing new reports in Workday and reviewing the reports to detect processing errors, and collecting any missing documents supporting eligibility for additional incentive pay. At this time, the City Controller's Office

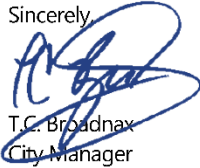
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cannot justify the additional expense in consultant programming costs to develop the report and the added staffing levels needed to review the reports for potential Workday processing errors. However, as we go forward, the City Controller's Office will continue to consider the feasibility of adding cost-effective controls to improve our processes. The Dallas Fire-Rescue department believes accessing hardcopy storage held offsite would be cumbersome and expensive for the department. In addition, asking employees to resubmit documentation for incentive pay they have been receiving could be costly to the employee and seem an unnecessary annoyance that could impact department morale.

Sincerely,



T.C. Broadnax
City Manager

C: Genesis D. Gavino, Chief of Staff
Jack Ireland, Chief Financial Officer
Jon Fortune, Deputy City Manager
Sheri Kowalski, City Controller
Dominique Artis, Fire Chief, Dallas Fire-Rescue department

Assessed Risk Rating	Recommendations	Concurrence and Action Plans	Implementation Date	Follow-Up/ Maturity Date	
Moderate	We recommend the Fire Chief and the City Controller :				
	A.1: Implement written procedures on how to request, approve, perform, and document adjustments to payroll data in Workday.	Agree	The City Controller's Office (CCO) uses an adjustment form that requires approval. CCO will review the instructions to the form and revise as needed. In addition, CCO will work with Dallas Fire-Rescue (DFR) to develop high-level procedures, as needed, to supplement the existing adjustment form.	3/31/2025	9/30/2025
	We recommend the City Controller :				
	A.2: Collect an overpayment of \$131 resulting from a payroll error in Workday.	Agree	CCO has initiated the recovery of the overpayment in accordance with existing procedures and AD 3-69, Procedure for Recovery of Employment Overpayments.	12/31/2024	6/30/2025
A.3: Design Workday reports that show hours worked, pay codes, hours paid, and subsequent changes and use these reports for detecting Workday processing errors.	Accept Risk	The City Controller's Office currently performs analytical procedures to ensure payroll department payroll expenses are reasonable and provides numerous exception reports to departments to help ensure time is reviewed and its reported correctly. Further, CCO will work with appropriate departments to further refine payroll reports in Workday. DFR has the most complex payroll process in the City due in part to their unique scheduling process. At this time, CCO cannot justify the additional expense in consultant programming costs to develop the report and in added staffing levels needed to review the reports for potential Workday processing errors.	N/A	N/A	

Assessed Risk Rating	Recommendations	Concurrence and Action Plans	Implementation Date	Follow-Up/ Maturity Date	
	We recommend the Fire Chief:				
	<p>A.4: Implement a written procedure requiring changes to the input data in IDS 140/Telestaff to match retrospective payroll adjustments made in Workday.</p>	<p>Agree</p>	<p>DFR is currently in the process of moving to a new system for recording employee time that will have an improved interface with Workday.</p> <p>If the integration does not mitigate the risk via an automated control, DFR will develop written procedures requiring input data to match retrospective payroll adjustments made in Workday.</p>	<p>3/31/2025</p>	<p>9/30/2025</p>
	<p>B.1: Ensure the Dallas Fire-Rescue follows the Dallas Fire-Rescue Records Retention Schedule and the Texas State Library and Archives Commission requirements for the retention of documents supporting firefighters' eligibility for additional incentive pay.</p>	<p>Agree</p>	<p>DFR acknowledges that some documentation, particularly older hardcopy documentation that is in offsite storage, could not be readily provided to the auditors. However, DFR follows and will continue to follow its Records Retention Schedule and the Texas State Library and Archives Commission requirements.</p> <p>Additionally, with most documentation today being digital rather than hardcopy and with improved software platforms, DFR is confident in its ability to append documentation supporting incentive pay eligibility to the employee's profile within the software, thus, allowing timely and efficient retrieval of the supporting documentation, as needed.</p>	<p>3/31/2025</p>	<p>9/30/2025</p>

Assessed Risk Rating	Recommendations	Concurrence and Action Plans		Implementation Date	Follow-Up/ Maturity Date	
	<p>B.2: Implement a written procedure to periodically verify all firefighters’ eligibility for additional incentive pay by inspecting the required documents.</p>	Agree	<p>DFR will develop written procedures to periodically verify, on a sample basis, eligibility for incentive pay by inspecting the required documents for firefighters hired or re-hired after 9/30/2023. DFR believes implementing this process for established employees would be cumbersome and costly to both the employee and department.</p>	3/31/2025	9/30/2025	
	<p>B.3: Collect any missing documents supporting firefighters’ eligibility for additional incentive pay.</p>	Accept Risk	<p>DFR will accept the risk associated with this recommendation. Accessing hardcopy storage held offsite would be cumbersome and costly to the department. In addition, asking employees to resubmit documentation for incentive pay they have been receiving could be costly to the employee and seem an unnecessary annoyance that could impact department morale.</p>	N/A	N/A	
	<p>We recommend the City Controller:</p>					
	<p>B.4: Collect overpayment of wages from firefighters not eligible for additional incentive pay.</p>	Agree	<p>CCO will follow their existing procedures and AD 3-69, Procedure for Recovery of Employment Overpayments, for employees identified by DFR as not eligible for additional incentive pay.</p>	3/31/2025	9/30/2025	
Low	<p>We recommend the Fire Chief:</p>					
	<p>C.1: Implement formal written procedures for calculating years of service consideration for Emergency Medical Service Assignment Pay.</p>	Agree	<p>DFR will formalize its existing process for calculating the Emergency Medical Service Assignment Pay in a written procedure.</p>	9/30/2024	3/31/2025	

Assessed Risk Rating	Recommendations	Concurrence and Action Plans	Implementation Date	Follow-Up/ Maturity Date
	We recommend the City Controller:			
	C2: Collect overpayment from firefighters not eligible for Emergency Medical Service Assignment Pay.	Agree	CCO will follow their existing procedures and AD 3-69, Procedure for Recovery of Employment Overpayments, for employees identified by DFR as not eligible for Emergency Medical Service Assignment Pay.	3/31/2025