



BERKELEY CITY AUDITOR

INFORMATION CALENDAR

November 18, 2025

To: Honorable Mayor and Members of the City Council

From: Jenny Wong, City Auditor *JW*

Subject: Independent Third-Party Audit of the Payroll Audit Division

INTRODUCTION

We present a performance audit of our Payroll Audit Division's operations. The government auditing standards we adhere to require that we assess all potential threats to our independence at the beginning of an audit and design appropriate safeguards. Placement of the Payroll Audit Division within our office means that we can't audit payroll activities in accordance with audit standards because of an appearance of lack of independence. To safeguard our independence as we have done in prior years, we contracted with independent third-party auditor GPP Analytics to conduct this audit.

CURRENT SITUATION AND ITS EFFECTS

Overall, GPP found that the Payroll Audit's procedures ensured City employees received accurate pay and benefits in the sample data they tested. GPP also found that Payroll Audit's staff and management demonstrated a detailed command of critical payroll elements within their complex operating environment. They correctly applied various payroll, labor, and statutory rules, ensuring high-risk components of each payroll are handled accurately despite system constraints. GPP also noted that Payroll Audit works proactively to ensure timely, accurate processing of payroll.

GPP cited some areas of concern related to Payroll Audit's payroll manual that became outdated when the City implemented its new financial system (ERMA). Payroll Audit initially waited to update the manual to have time to learn the complex new system and include information about it in the manual. Once ERMA was implemented, payroll errors from department payroll clerks increased from an average of 6.7 percent to 94.5 percent. This significantly increased Payroll Audit's workload to correct the errors, limiting the resources they could dedicate to updating the manual while also needing to ensure accurate biweekly payroll. GPP also found that manual transcription and prefilled timecards introduced inefficiencies and risk of error, and identified data security risks that the City needs to address. However, GPP did not find any material errors that weren't previously identified and corrected by the Payroll Audit Division.

As GPP observed, an important consideration for implementing the recommendations is that Payroll Audit functions within a broader system of rules and regulations, but does not have authority to interpret or change them. Payroll Audit's role is limited to applying employee pay rules as interpreted by Human Resources and city management. The payroll process also requires technology systems that involve collaboration with Information Technology.

With those considerations in mind, GPP made seven recommendations to our office to consider for strengthening controls and mitigating risks surrounding the payroll process, including the following:

- Work with the City Manager's Office, Human Resources, Information Technology, and stakeholder departments to develop and maintain a single Citywide Payroll Policy and Procedure Manual.
- Request that the City Manager's Office and the Information Technology Department re-prioritize the implementation of an electronic timekeeping system.
- Work with the City Manager's Office and the Information Technology Department to ensure that if an electronic timekeeping system is implemented, it prohibits departments from using prefilled timecards within the system.

BACKGROUND

The City of Berkeley's Payroll Audit Division organizationally sits within the City Auditor's Office . While the Payroll Audit Division is one of the smaller divisions in terms of staff, it has one of the largest jobs: processing biweekly payroll for the approximately 1,800 individuals employed by the City. In fiscal year 2025, personnel costs represented approximately 65 percent of the City's General Fund budget, and the Payroll Audit Division processed approximately 46,800 checks and direct deposits.

We periodically initiate independent third-party audits of the Division's internal controls to ensure there are sufficient safeguards against fraud, waste, and abuse, and to ensure pay is accurate and complies with policies and regulations. The timing of this audit was strategic due to the anticipated retirements of several Payroll Audit staff. The Division has also experienced significant changes in operations with the implementation of the City's new financial and payroll system ERMA. This was an opportune time to identify areas for improvement to ensure that Payroll Audit has the controls in place to consistently produce accurate, timely payroll.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

The payroll process as it currently exists is a labor-intensive, manual, and partly paper-based process. The City would make progress toward its sustainability goals by adopting electronic payroll processes where possible.

POSSIBLE FUTURE ACTION

Some of the report's key findings require the Payroll Audit to collaborate with other departments to strengthen safeguards related to payroll and ensure ongoing timely, correct pay for City employees. Payroll Audit will facilitate this collaboration to implement the recommendations.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

Implementing the recommendations from this audit will require dedication of staff resources and possible funding to address data system issues. Implementation will progress as resources allow.

CONTACT PERSON

Jenny Wong, City Auditor, City Auditor's Office, 510-981-6750

Attachments:

- 1: Audit Report: Independent Third-Party Audit of the City of Berkeley's Payroll Audit Division



Independent Third-Party Audit of the City of Berkeley's Payroll Audit Division

for the City of Berkeley

October 16, 2025

GPP Analytics Inc.

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Transmittal Letter

Dear City Auditor Wong,

We are pleased to present the audit report for the Independent Third-Party Audit of the City of Berkeley's Payroll Audit Division conducted by GPP Analytics Inc. for the City of Berkeley California.

Our audit was conducted in compliance with the Generally Accepted Government Auditing Standards (GAGAS) of the U.S. Government Accountability Office.

The primary objective of our audit was to evaluate the effectiveness of the Payroll Audit Division's internal controls against fraud, waste, and abuse, and to ensure the accuracy and fairness of payroll practices in compliance with relevant policies and regulations.

The following is a summary of the audit findings in the report:

Finding 1: Updating and Maintaining a City-Wide Payroll Manual Would Improve Consistency and Lower Compliance Risk. The City's only city-wide payroll manual is from 2011 and does not reflect ERMA/Tyler Munis or more recent labor agreements. Departments have filled the void with their own procedures, creating risk of variability and added workload. We recommend that the Payroll Audit Division, with support from the City Manager's Office, Human Resources, Information Technology, and other departments, develop and maintain a single, detailed payroll policy and procedure manual. It should include ERMA workflows, practical guidance for applying MOUs, clearly assigned roles, and a recurring review cycle at least every three years or after significant system or contract changes.

Finding 2: Time is Manually Transcribed and an Electronic Time Entry System Would Reduce Errors and Save Time. Across departments, including Police and Fire, hours are re-typed into ERMA from paper or separate systems (CAREWARE and TeleStaff). Manual transcription is inefficient and increases the risk of discrepancies. We estimate departmental payroll clerks spend about 5,299 hours per year on transcribing data into ERMA. We recommend implementing electronic time entry and integrating Police and Fire scheduling data with ERMA so that time flows system-to-system and staff effort can shift from typing to review and validation.

Finding 3: Prefilled Timecards Lead to More Adjustments. Some departments submit prefilled timecards before the pay period ends. In our random sample of 30 timecards, three (10%) required correction. Prefilling increases the chance that actual hours will differ from what was submitted. We recommend implementing electronic time entry to eliminate forecasting. Until then, departments that use prefilled timecards should send an end-of-period reminder prompting employees to review and confirm entries before clerks submit them.

Finding 4: Finding Involving Sensitive Security Information. *The details of this finding are issued as a separate confidential report due to sensitive security information that could be used to harm the City. The finding addresses opportunities for improvement and risk reduction.*

In addition to the four findings, this audit report includes a section titled **Other Pertinent Information** for observations and information that fall outside of the normal finding structure.

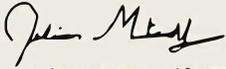
We Identified One Case That Warrants Further Review Regarding How Salaries Are Calculated and Displayed in ERMA: One test case during our audit showed allowances and one-time stipends were entered in a way that caused ERMA to overstate the displayed annual salary of an employee by more than five times the

actual amount, even though the employee was paid correctly. We suggest working with Information Technology and the system vendor to determine if this is an isolated configuration/data-entry issue.

Security sensitive topic. *The details of this section are issued as a separate confidential report due to sensitive security information that could be used to harm the City. The section addresses opportunities for improvement and risk reduction.*

We appreciate the cooperation and assistance provided by the staff. Their support was instrumental in the successful completion of this audit.

Sincerely,



Julian Metcalf, CEO

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Introduction

This report presents the results of the Independent Third-Party Audit of the City of Berkeley's Payroll Audit Division, conducted by GPP Analytics Inc. at the request of the Berkeley City Auditor's Office. The City Auditor's Office regularly initiates audits of the Payroll Audit Division, with a prior audit conducted in 2016.¹

The City Auditor's Office reports that this current performance audit was initiated due to the recent implementation of a new financial system, turnover of staff of other departments who have a role establishing or carrying out payroll policies and controls, and Payroll Audit Division staff nearing retirement. Routine audits also help maintain independence and support ongoing improvement.

The purpose of this performance audit was to evaluate whether the Payroll Audit Division's internal controls, policies, procedures, and practices adequately protect against fraud, waste, and abuse, and to determine whether they comply with relevant Federal, State, and City requirements. In addition, the audit examined whether the Division's practices are applied uniformly and consistently to ensure City employees receive accurate pay and benefits. The following Introduction section provides an overview of the audit's scope and objectives, the standards under which the work was performed, the timeline and methodology, a brief summary of the results, and other pertinent introductory information.

Standards of Audit

This audit was conducted in accordance with the U.S. Government Accountability Office's (GAO) Generally Accepted Government Auditing Standards (GAGAS).² Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence for our findings and conclusions based on our audit objectives.

Audit Objective

The primary objectives of this performance audit were the following:

1. Determine whether the division's internal control practices, policies, procedures, and environment adequately and appropriately protect against fraud, waste, and abuse; and operate in compliance with established Federal, State, and City policies, rules, and regulations.
2. Assess whether the division's practices, policies, procedures, and protocols are uniformly and consistently applied, to ensure that pay and benefits handled by the Payroll Audit Division are accurately and appropriately paid to, or applied to, City of Berkeley employees.

These objectives were established based on the scope defined in the City's request for proposals and were refined during the planning phase of the audit. In essence, the audit focused on evaluating both the effectiveness of controls (to prevent and detect errors or misuse) and the consistency of practices (to ensure fairness and accuracy) within Berkeley's payroll operations. A written report of findings and recommendations has been prepared in accordance with GAGAS reporting standards as the culmination of this audit.

¹ City of Berkeley, Office of the City Auditor, Performance Audit of Payroll Division (June 28, 2016), PDF, <https://berkeleyca.gov/sites/default/files/2022-01/Performance%20Audit%20of%20Payroll%20Division.pdf>

² United States Government Accountability Office's Government Auditing Standards 2018 Revision.

Audit Timeline and Methods

Phase I: GPP Analytics Inc., and the City Auditor's Office, including leadership from the Payroll Audit Division, held an entrance conference on November 7, 2024. Following the entrance conference GPP began scheduling interviews with staff from Payroll Audit who were identified as likely to retire soon. Shortly after, the audit had a planned pause to allow the Payroll Audit Division to process routine year-end procedures and to prevent the audit from being a distraction during a traditionally busy period. In February 2025, the audit resumed and GPP interviewed more staff from the Payroll Audit Division, Payroll Clerks within various city departments, and other process stakeholders such as staff from the Information Technology Department.

During this period, GPP reviewed the following materials provided by Payroll Audit and other City staff:

- City and Departmental policies, procedures, and other documentation when available
- Sample reports
- City ordinances
- IT system guides and documentation
- IT system (ERMA) reports

Phase I was completed with a formal Risk Assessment & Planning Memorandum in April 2025, which set the detailed testing plan and finalized the engagement risk assessment.

Phase II: The phase began with the distribution and analysis of an online survey of all departmental payroll clerks to capture process variations, and gain an understanding of operational challenges. The audit team secured data extracts from the City's payroll system, Tyler Munis (ERMA as it is commonly called), and ran audit-analytics reports to screen the full population of payroll transactions and access logs. Next, we performed targeted testing that included (1) Random statistical samples for transaction accuracy and compliance and (2) risk-based samples and case studies where indicators or survey feedback pointed to possible control gaps. We held follow-up interviews with payroll clerks, division staff, and IT to clarify results and document control procedures. At the conclusion of the phase, the audit team wrote a draft of the audit report and performed internal quality control reviews.

Phase III: On July 15, 2025, we provided the auditees with a confidential copy of the draft report, which they reviewed for factual accuracy and any inadvertent inclusion of confidential information. We received all additional information by August 6, 2025. On August 29, 2025, we issued a revised draft seeking additional clarification and feedback. On September 16, 2025, we issued a further revised draft with a request for a written response to each of the report recommendations. On October 1, 2025, we discussed the appropriate handling of sensitive security information and issued a further revised report on October 2, 2025. We received the written responses from auditees on October 14, 2025, and they are included as attachments to this report. The Final Report, which combines the Revised Draft and the auditee's written responses, was transmitted to the City Auditor.

Payroll Audit Background

The City of Berkeley's Payroll Audit Division is a specialized unit within the elected City Auditor's Office, established by City Charter mandate to oversee payroll operations as an internal control.³ Unlike many municipal payroll units in other jurisdictions (often housed under Finance or Human Resources), Berkeley's payroll function was placed in the independent Auditor's Office to promote accountability and accuracy.

The City's ordinance code states that:

*"The Auditor is authorized to examine or review all City payments and payrolls before issuance [...]. The Auditor also directs a Payroll Audit division, responsible for certain centralized payroll functions of the City's decentralized payroll system."*⁴

Thus, the Payroll Audit Division's core responsibility is to examine and monitor citywide payroll for accuracy, accountability, and compliance with all applicable federal/state laws, City policies, and labor agreements. In practice, this means Payroll Audit coordinates the entire payroll process for the City, processing biweekly pay for employees, issuing paychecks and reports, maintaining payroll records, and checking that every payment conforms to approved pay rates and rules. By design, the Division serves as a safeguard to ensure that taxpayer funds are disbursed correctly and that payroll transactions are processed timely and in line with established compensation policies. This structure gives the City Auditor oversight of payroll processes, adding a layer of review intended to deter fraud or errors in one of the City's largest recurring expenditures.

Relationship to management and Human Resources

It is important to clarify that Payroll Audit does not make decisions about what employees get paid or how pay rules are interpreted, those are management and Human Resources (HR) functions. HR and City management set compensation policy (e.g. pay scales, raises, labor contract terms), interpret labor agreements, and decide individual pay actions, whereas Payroll Audit's role is to administer those decisions. In other words, Payroll Audit acts effectively as the citywide "payroll controller," executing the pay changes approved by HR and departments and verifying their accuracy, rather than determining pay entitlements. For example, Payroll Audit staff review personnel action forms for compliance and correctness. If there are ambiguities or disputes in pay rules, Payroll Audit reports that it defers to HR and management to decide on the proper interpretation, then applies that decision.

Role in Payroll Information System Implementation and Management

The division has also had a defined role in the City's financial system or enterprise resource planning (ERP) modernization. Following a competitive process, Berkeley selected Tyler Technologies' Munis ERP to replace legacy systems and implement HR/Payroll with Employee Self-Service.⁵ As the City has rolled out and matured Munis (internally referred to as ERMA), the City phased its implementations and integrations, including a timekeeping tool known as ExecuTime.⁶ Payroll Audit's Payroll Manager has served as the division's representative for the Employee Self-Service (ESS) module implementation, for

³ City of Berkeley, Charter of the City of Berkeley, § 61 "Duties of the Auditor," web page, <https://berkeley.municipal.codes/Charter/61>

⁴ Berkeley Municipal Code, § 2.24.050 "Scope of audits," web page, <https://berkeley.municipal.codes/BMC/2.24.050>

⁵ City of Berkeley, Digital Strategic Plan Update to Council (2021), PDF, stating the City selected Tyler Technologies' Munis ERP to replace core financials and implement HR/Payroll with Employee Self-Service, <https://berkeleyca.gov/sites/default/files/2022-02/Digital-Strategic-Plan-Update-2021.pdf>

⁶ City of Berkeley, Contract No. 32100021 Amendment: Telfords for Tyler Munis ERP (ERMA) (March 30, 2021), PDF, noting phased approach including launching payroll before finalizing ExecuTime timekeeping integration, <https://berkeleyca.gov/sites/default/files/documents/2021-03-30%20Item%2008%20Contract%20No.%2032100021%20Amendment%20Telfords.pdf>

timekeeping modernization and integration work, and serves as a resource for payroll system setup and troubleshooting.⁷ This is reinforced by interviews with staff during our audit and earlier Audit Office reports also note Payroll Audit's coordination with the City's IT function and Tyler Technologies on payroll system access controls.⁸ These activities reflect Payroll Audit's practical role in participating in design, configuration, implementation, and maintenance of the payroll components of ERMA, consistent with its mandate to ensure accurate and compliant payroll processing under management's policies.

Role is Mixture of Oversight and Execution

In summary, Berkeley's Payroll Audit Division serves as the central hub for payroll administration and oversight combined. It implements pay decisions within the framework set by HR, maintains compliance with all legal and contractual requirements, has a role in implementing and maintaining the City's payroll related information systems, and proactively safeguards the integrity of the City's payroll process.

What Payroll Audit Does Well

Staff and management of the Payroll Audit Division demonstrate a detailed command of critical payroll elements within their complex operating environment. Staff understand and correctly apply a wide range of payroll, labor, and statutory rules, ensuring high-risk components of each payroll run are handled accurately despite system constraints. The Division follows structured processes such as using the Personnel Actions workflow in its payroll system for employee changes, which enforces supervisory approval and proper authorization of updates. It also maintains thorough documentation and audit trails for payroll transactions. For example, timecard records are retained with older records retrievable from off-site storage. The Payroll Audit team works proactively to ensure timely, accurate processing of payroll. This is notable given the ongoing pressure of the payroll workflow and the complex nature of the information the team processes.

Anecdotally, staff and management of the Division expressed openness to continuous improvement during the audit. This was evidenced by their consistent and prompt responses to inquiries, transparent provision of documentation, and assistance even to questions that could otherwise appear critical of their work. The Payroll Clerks within the departments and staff from the Information Technology department also expressed similar sentiment and openness to improvement and transparency.

Our testing did not reveal any material errors that weren't previously identified and corrected by the Payroll Audit Division. This aligns with the proactive and precise work environment we observed, as described above.

⁷ WBCP (for City of Berkeley), Payroll Manager (Audit Manager—Payroll) Recruitment Brochure (March 25, 2025), PDF, stating the Payroll Audit Division lead role for Munis Employee Self-Service and division representation for ExecuTime/timekeeping modernization, <https://wbcpinc.com/wp-content/uploads/2025/03/FINAL-PDF-City-of-Berkeley-Payroll-Manager.pdf>

⁸ City of Berkeley, Office of the City Auditor, Performance Audit of the Payroll Audit Division — Final Status Update (January 30, 2018), PDF, noting Payroll Audit coordination with IT and Tyler on payroll system access controls, https://berkeleyca.gov/sites/default/files/2022-01/Performance%20Audit%20of%20the%20Payroll%20Audit%20Division_Final%20Status%20Update_013018.pdf

Findings

Finding 1: Updating and Maintaining a City-Wide Payroll Manual Would Improve Consistency and Lower Compliance Risk

WHY THIS MATTERS

Salary and benefits (payroll) costs are one of the City's largest recurring expenditures, yet the primary policy document guiding that process, the 2011 city-wide payroll manual, predates both the Tyler Munis (ERMA) payroll system and several rounds of labor negotiations. In the absence of updated direction, each department has filled the vacuum with its own ad-hoc procedures. Those improvised work-arounds range from handwritten timecards to custom Excel templates and specialized Fire and Police scheduling software. The result is a patchwork of practices that obscures accountability, increases the likelihood of pay errors, and complicates any effort to demonstrate compliance with labor agreements, tax rules, and internal-control standards.

RELEVANT CRITERIA AND GUIDANCE

1. Government Finance Officers Association: Recommends governments issue and maintain organization-wide procedures that define roles, cut-off deadlines, and control activities to safeguard accuracy.
2. GAO Standards for Internal Control in the Federal Government (Green Book), Principle 12: Requires management to implement control activities through documented policies and procedures.

WHAT WE FOUND

Since the City last issued payroll guidance in January 2011, departments have developed their own methods for capturing time and processing pay. The City's Payroll Clerks spend considerable time re-keying data, reconciling totals, and correcting misunderstandings of labor-agreement provisions.

Delayed Manual Update Due to New System, Payroll Audit Workload, and HR Turnover

The Payroll Audit Division reports three main causes that contribute to its delay of updating the city-wide payroll manual. First, payroll functions in ERMA were implemented in 2021. The Payroll Audit Division states that it initially waited to update the manual "to have time to learn the complex new system and include information about it in the manual." This makes practical sense since the system would have been a significant shift for stakeholders in the payroll process.

Second, once implemented, the Payroll Audit Division noted a significant increase in payroll errors their staff were tasked with identifying and working with department's Payroll Clerks to correct. In fact, their analysis reports that "the error rate has increased over time, from an average of 6.7 percent in 2016 to 94.5 percent in 2022."⁹ As expected, this increase in error rate has significantly increased the Payroll Audit Division's workload and limited their resources which are now focused on the persistent need to ensure accurate biweekly payroll.

⁹ City of Berkeley, FY 2023 and FY 2024 Adopted Biennial Budget (July 1, 2022), PDF, pp. 192–193, available at <https://berkeleyca.gov/sites/default/files/documents/FY-2023-2024-Adopted-Budget-Book.pdf>

Third, the Payroll Audit Division reports that “this initiative remained on hold due to instability in HR. There were 11 different HR representatives during the ERMA implementation process.” Since HR is a key stakeholder in the payroll process (they determine what employees get paid and how pay rules are interpreted), the Division was not in a position to independently update the Citywide Payroll Manual.

Payroll Clerks Report That the 2011 Manual Is Not Helpful

We conducted a survey offered to all Payroll Clerks (see Appendix A for more details on the survey). The majority didn’t have a copy of the 2011 Manual. One respondent stated they had a copy, but it wasn’t helpful. Only one respondent stated that they had a copy of the 2011 manual, and they found it helpful. See Appendix A: Payroll Clerk Survey for more details.

Their responses align with our observations. The 2011 manual is based on the system that was in place prior to ERMA known as FUNDS\$, and the 2011 manual does not detail many of the other payroll considerations such as interpreting and applying the City’s payroll rules and agreements.

Turnover Threatens Knowledge Retention

The Payroll Audit Division faces pending retirements and many of the payroll clerks in the various Departments are relatively new. Because training is left to each department, critical knowledge is neither standardized nor documented for successors. Without a more current and comprehensive manual, the payroll process is at a higher risk of inconsistency and/or error due to the eventual turnover of staff.

City’s Payroll Is Complex

Our testing found a variety of cases of complex payroll rules, some resulting in errors identified

by departments’ Payroll Clerks and the Payroll Audit Division.

The following are three examples we saw. They are testament to the vast knowledge of payroll rules, laws, and systems that the Payroll Audit Division and the department’s Payroll Clerks must retain and navigate on a regular basis. The examples also illustrate the risk of information being lost or misinterpreted due to staff turnover.

Example 1: Complex MOUs, Fire Department Schedule Calculations

Our testing found that certain Fire Department payroll scenarios are so specialized that the ERMA cannot handle them, forcing manual calculations by staff. For instance, when a firefighter on a 40-hour schedule temporarily worked a 56-hour “suppression” shift, the system couldn’t convert the pay rate between schedules. In this case payroll clerks had to manually compute a retroactive overtime adjustment using a special conversion spreadsheet.

Additionally, the Fire Department’s labor agreement mandates an extra holiday pay code for Unit B firefighters (code 212 in addition to regular holiday pay code 211), which isn’t automated. Staff must track and manually apply these two codes correctly.

These complex provisions and system limitations led to routine and expected manual corrections, underscoring the need for clearer documented guidance on pay rules like these.

Example 2: Time Codes

In multiple payroll transactions we sampled, employees’ hours were initially recorded under incorrect time codes or with pre-filled hours that later changed, and these mistakes had to be manually corrected by the departments’ Payroll Clerks or the Payroll Audit Division. For example, one department’s practice of submitting pre-populated timecards early (See Finding 3 for more details on this practice) led to cases where the wrong attendance code or

hours were entered, requiring clerical adjustments in ERMA before final processing. Such recurring errors in time code usage illustrate how, without a current policy manual or standardized guidance, departments could easily interpret timekeeping rules inconsistently, leaving it to the Payroll Audit Division to catch and correct coding errors on timecards.

Example 3: Labor Agreement Interpretation Could be Detailed in Payroll Manual

Our testing revealed the risk of ambiguity in some aspects of the City's labor agreements, or memorandum of understandings (MOUs) with represented labor unions. While these MOUs are negotiated and interpreted by City management and HR, the Payroll Audit Division must administer them during payroll processing.

For example, one MOU, the International Brotherhood of Electrical workers Local 1245, has a clear maximum of 320 hours of vacation leave that can be accrued. The remaining seven MOUs with labor groups state a 320-hour vacation limit, yet they don't clearly require stopping accrual once that cap is reached or provide clear mechanisms for enforcement. As a result, five of the 30 payrolls we randomly tested had more than the allowable 320 hours of accrued vacation hours. Of the five employees, one had accrued roughly 1,500 hours and another had accrued roughly 1,000 hours. Because the agreements lack explicit direction, the Payroll Audit Division must rely on HR's direction to administer them.

The Payroll Audit Division reports that a prior HR Director had previously directed them to allow staff in these labor groups to accrue beyond 320 hours. However, there is no written record of it and no guidance available to the Payroll Clerks who must regularly administer the labor agreements when managing the payroll processes. Given the overall complexity of the MOUs, not just in this one example, it

would benefit the City to have written interpretation of labor agreement rules in the citywide payroll manual.

This example is provided to illustrate the need for documentation. It does not recommend changes to any MOU or collective bargaining provision.

Known Problems Illustrate Complexity Of Payroll

The three examples represent routine challenges that are managed by the Departments' Payroll Clerks and the Payroll Audit Division. In some ways, the examples are a testament to the current process design combined with the staffs' ability to handle them already. However, the examples also illustrate the complexity of the payroll operating environment, which in and of itself poses risk of errors. This demonstrates the need for clear and up-to-date guidance to promote consistency, reduce the risk of errors, and preserve knowledge after eventual staff turnover.

No Single Responsible Party

Due to the decentralized structure of the City's payroll process, there is no single party that is responsible for all payroll policies and procedures in the City. As discussed in the Background section of this report, HR is responsible for pay decision policy interpretation and the Payroll Audit Division is responsible for administration. The involvement of both parties is needed to update and maintain the citywide payroll manual. Historically this has been led by the Payroll Audit Division. Unless the City seeks to change prior practices, we recommend that Payroll Audit Division lead the effort to update and maintain a more comprehensive manual to reduce the risk of errors, add clarity to the overall payroll process and system, and reduce the time cost of making routine manual corrections.

Recommendations

The Payroll Audit Division should:

- 1.1 Work with the City Manager's Office, Human Resources, Information Technology, and stakeholder departments to develop and maintain a single Citywide Payroll Policy and Procedure Manual.

The manual should:

- Document ERMA/Tyler Munis workflows. Provide step-by-step guidance, screen shots, and control points for all standard payroll transactions.
- Incorporate labor agreement provisions. Translate each current labor agreement into clear payroll instructions (e.g., overtime differentials, specialty pays, leave accrual rules).
- Set an update schedule. Require a review at least every three years, or sooner if a major system or contract change occurs and assign ownership for keeping the manual current.

Finding 2: Time is Manually Transcribed, and an Electronic Time Entry System Would Reduce Risk of Errors and Save Time

WHY THIS MATTERS

Manual transcription of employee work hours into the City of Berkeley's payroll system, ERMA, is inefficient and increases the risk that errors will occur. The process is inherently prone to human error such as misreading handwritten entries or mistyping data, which can result in payroll discrepancies that affect employee compensation. The American Payroll Association estimates that manual transcription results in errors 1% - 8% of the time¹⁰.

Records indicate that the City had been working to implement an electronic time entry system in 2021, but the City Manager's Office paused implementation in 2022.

RELEVANT CRITERIA AND GUIDANCE

The following legal criteria demonstrate the City's legal requirement to maintain accurate time records.

- a. The Fair Labor Standards Act (FLSA) requires all employers to maintain accurate records.
- b. California Labor Code § 1174 mandates that employers maintain accurate and detailed payroll records.

WHAT WE FOUND

The City of Berkeley's payroll process relies heavily on manual transcription of employee work hours from paper timecards and disparate electronic systems into ERMA, the city's payroll platform. Manual transcription is a labor-intensive process, requiring employees to complete timesheets by hand and submit them to payroll clerks. Payroll Clerks then re-enter the information into payroll systems for processing and issuing checks. This method of time tracking and reporting is prone to errors, because it relies on the accuracy of individual employees who manually transcribe information from one system to another.

Even Departments With Digital Timesheets Must Manually Type Time Into Payroll System

Manual transcription occurs across all City departments, even Police and Fire, which use their own digital timesheet systems known as CAREWARE and TeleStaff, respectively. Neither of their time systems are integrated with ERMA and as a result, Payroll Clerks must manually input data from these systems into ERMA. However, the Payroll Audit Division reports that it has already begun to work on integrating CAREWARE to integrate with ERMA.

The lack of integration and automation increases the administrative burden on payroll staff and introduces potential transcription errors in the payroll workflow.

¹⁰ Payroll industry attributes a 1% – 8% error rate to the American Payroll Association (APA), but the report is no longer publicly available. Recent literature that supports this widely quoted range include:

1. ADP/Labor Management Institute, 10 Best Practices for Time & Attendance Professionals, July 2019, p. 3, <https://www.adp.com/-/media/adp/resourcehub/pdf/10-best-practices-july-2019.pdf>
2. Ernst & Young's 2022 HR Processing Risk & Cost Survey found payroll accuracy of 80.15% (≈ 1 in 5 runs contain an error) and an average fix cost of \$291 (https://eyquest.com/files/Cost_and_Risks_Due_to_Payroll_Errors_2022_Final.pdf)
3. A 2020 internal audit of the Fayetteville, NC Police Department likewise traced incorrect wages to manual paper time-keeping (<https://www.fayettevillenc.gov/files/sharedassets/main/v/1/city-managercommunications/documents/audit-reports/2019-2020/audit-report-a202001-poli.pdf>)

The High Cost of Manual Transcription Errors

Manual time tracking demands perfect accuracy from employees and payroll clerks, which is a difficult standard to meet consistently.

According to studies by the American Payroll Association, errors resulting from manual transcription alone can account for 1%–8% of total payroll costs. To put that in perspective, payroll is the largest expense for the city¹¹. For 2024, the annual payroll expense was \$314.0 million¹² which could mean up to \$25.0 million is at risk of errors which may or may not be identified and then corrected later in the process.

Cost of Transcribing Each Timesheet into ERMA

We estimate that the Departmental Payroll Clerks spend a cumulative 5,299.23 hours per year manually transcribing timesheets into ERMA.¹³ This estimate does not count time spent later correcting possible errors caused by the transcription process itself.

The time and staff resources spent re-typing timesheets could be better used reviewing the time entries, validating its accuracy, and ensuring compliance with the City's complex labor agreements.

The time-consuming nature of manual data entry not only slows down payroll processing but also leads to significantly higher operational costs for the City. Payroll clerks must spend countless hours manually reviewing, verifying, and transcribing time records, which reduces efficiency and increases administrative expenses. Freeing clerks and auditors of this

would add more time and resources to spend on validating and monitoring time submissions from employees.

Why No Electronic Timesheets Yet

ERMA was first deployed by the City of Berkeley in 2018 to replace the prior system known as FUND\$, with the payroll functions implemented in 2021. Although electronic timesheets were part of the original implementation plan for ERMA, their deployment has been reportedly delayed due to differing resource prioritization.

Similar to how the Payroll Audit Division reports it is working with stakeholders to integrate the Police Department's CAREWARE time system with ERMA, Payroll Audit could lead the initiative to implement electronic time entry Citywide.

The Payroll Audit Division would need to coordinate with the City Manager's Office and the Information Technology Department. This would likely involve system configuration, user training, data migration, and change management. While the exact cost of implementation would depend on the scope and vendor involvement, the ongoing cost is likely to be less than the estimated 5,299.23 hours of staff time currently spent on manual transcription.

Once implemented, the time saved could be redirected toward more thorough validation and review of employee time submissions, enhancing accuracy and enabling proactive monitoring for patterns of fraud, waste, or abuse (see the 'Other Pertinent Information' section for further details).

¹¹ City of Berkeley 2024 ACFR - <https://berkeleyca.gov/sites/default/files/documents/annual-comprehensive-financial-report-fy2024.pdf>. In 2024, total expenses amounted to \$563.0 million, with \$314.0 million of that for payroll expense. This means that payroll alone accounted for more than half of the organization's total spending for the year.

¹² Government Compensation in California – City of Berkeley 2024 - <https://gcc.sco.ca.gov/Reports/Cities/City.aspx?entityid=61>

¹³ Our estimate is based on 1,747 full-time equivalents (FTE) noted in the FY 2025 & 2026 Adopted Budget. This is multiplied by 26 payroll periods and then by seven minutes, a figure that commonly used in industry research, generally citing estimates from the American Payroll Association, suggests it takes seven minutes on average to transcribe timesheets to payroll system entries. This figure is just an estimate to gauge the rough magnitude of resources used by the City to transcribe timesheets.

Recommendations

The Payroll Audit Division should:

- 2.1 Request that the City Manager's Office and the Information Technology Department re-prioritize the implementation of an electronic timekeeping system.
- 2.2 Coordinate with the Information Technology Department to integrate Telestaff, the timekeeping systems used by the Fire Department, into ERMA, similar to their current initiative to integrate the Police Department's CAREWARE into ERMA.

Finding 3: Prefilled Timecards Lead to More Adjustments

WHY THIS MATTERS

Some departments choose to use prefilled timecards, which are automatically populated with the employee's expected or scheduled hours before the workweek is completed based. The use of prefilled timecards, while intended to streamline payroll processing and meet tight submission deadlines, introduces significant risks of payroll errors and overpayments. Based on our audit testing, we estimate that around 10% of timecards require correction due to prefilled timecards, and others are subject to the risk of errors that go undetected.

RELEVANT CRITERIA AND GUIDANCE

- a. The Fair Labor Standards Act (FLSA) requires all employees to maintain accurate records for all non-exempt employees.
- b. California Labor Code § 1174 mandates that employers must maintain accurate and detailed payroll records for all employees.

Prefilled timecards, while convenient, can pose a significant compliance risk under this law. Because they automatically populate hours worked without requiring employees to actively confirm or adjust their entries, this process increases the risk that errors will occur, especially the risk that unplanned sick time will be recorded as hours worked. Our testing identified instances where errors were identified and corrected. However, there is risk that not all errors are identified and corrected and unintentionally violate the law and pay employees incorrectly.

WHAT WE FOUND

Certain departments, such as the Library, which operates multiple locations, use pre-filled timecards. They are typically submitted on the second Tuesday of each pay period. This is almost five days before the pay period ends on Saturday at midnight. This practice thus covers most of the second week of the pay period, even though that week has not yet concluded. This practice is designed to streamline payroll processing and minimize delays. However, it also introduces a notable risk of discrepancies when actual hours worked differ from the scheduled forecasts.

An Estimated 10% of Payroll Transactions Require Correction and Others May Still Have Errors

We tested a sample of 30 randomly selected timecards and found that three (10%) contained errors relating to prefilled timecards. Two of the three cases involved sick leave that was taken after the prefilled timecard was submitted. These errors were identified by the employees' supervisors after timesheets were submitted. Had they not been caught it would have resulted in overpayment to the employee. The third case relates to the timecard's accidental inclusion of a timecode.

While these represent the instances where errors were identified and corrected, it is quite possible that in other instances errors are not identified and corrected. Identification and correction can only occur if supervisors are diligent in tracking sick time and other leave that is requested and taken after submittal of the timecard. Payroll Clerks and the Payroll Audit Division would not have the knowledge to identify that leave occurred.

Electronic Time Entry Could Help

A common best practice is to use electronic time entry to eliminate the need for prefilled or forecast timesheets¹⁴. Such tools allow employees and their supervisors to enter, review, and approve time from multiple locations with access to a computer, smartphone, or kiosk. According to the City's Information Technology Department, this feature was planned for the inclusion in its payroll system, Tyler Munis (ERMA), but has been deprioritized by the City Manager's Office and there is no current timeline for implementation. If an electronic timecard system is implemented, it should prohibit departments from using prefilled timecards within such a system.

The additional benefits of implementing an electronic time system are discussed further in Finding 2 of this report.

Targeted Timecard Review Prompts As Interim Solution

Until an electronic time entry system can be implemented, industry best practices suggest using communication and other tools to offset some of the problems with prefilled timecards.¹⁵

There is an opportunity to improve timecard efficiency, reduce fraud risk, and reduce payroll processing delays by implementing a targeted reminder system for employees who use prefilled timecards. This system would automatically prompt employees to review and confirm their time entries at the end of the pay period before submission by payroll clerks. This ensures that any discrepancies or outdated information are identified and addressed early in the process

By encouraging timely validation, the reminder system reinforces individual accountability and helps prevent common errors that often result from overlooked or assumed accuracy in prefilled data.

¹⁴ Government and professional guidance agree that automated, exception-based time-and-attendance systems strengthen internal controls and cut manual-entry errors:

1. GAO: "Advancing technology and the increased use of automation" let agencies streamline T&A reporting while maintaining control (Maintaining Effective Control Over Employee Time and Attendance Reporting, Dec 2000, p. 3, <https://www.gao.gov/assets/gao-01-186g.pdf>).
2. U.S. Department of Defense FMR: Agencies should "apply available technology ... to achieve efficient and effective T&A system processes and controls" (DoD 7000.14-R, Vol 8, Ch 2, § 2.1.2.2, Apr 2025, https://comptroller.defense.gov/portals/45/documents/fmr/current/08/08_02.pdf).
3. ADP / Labor Management Institute: Manual or decentralized time-entry "can lead to substantial inefficiencies" and the American Payroll Association estimates 1 – 8 % error rates for paper time cards (10 Best Practices for Time & Attendance Professionals, 2019, p. 2, <https://www.adp.com/-/media/solution-center/mas/pdf/articles/best-practices-for-time-tracking.ashx>

¹⁵ Guidance stresses that manual or pre-filled T&A records must be re-checked right at the close of each pay period:

1. GAO warns that employee attestations and verifications "should be performed as close to the end of the pay period as possible" to catch discrepancies early (Maintaining Effective Control over Employee Time and Attendance Reporting, 2000, p. 10, <https://www.gao.gov/assets/gao-01-186g.pdf>)
2. ADP operationalizes this standard with automatic alerts when unapproved or exception entries remain open, prompting employees and supervisors to act before payroll is run (<https://www.adp.com/resources/articles-and-insights/articles/t/time-and-labor.aspx>)

Recommendations

The Payroll Audit Division should:

- 3.1 Request that the City Manager's Office and the Information Technology Department re-prioritize the implementation of an electronic timekeeping system. *(This is the same recommendation as 2.1 but duplicated here in the context of Finding 3).*
- 3.2 Work with the City Manager's Office and the Information Technology Department to ensure that if an electronic timekeeping system is implemented, it prohibits departments from using prefilled timecards within the system.
- 3.3 As a temporary measure, assist departments that use prefilled timecards to implement a targeted reminder system for employees using prefilled timecards to prompt staff to review and validate prefilled timecards before the payroll deadline.

Finding 4: Finding Involving Sensitive Security Information

The details of this finding are issued as a separate confidential report due to sensitive security information that could be used to harm the City. The finding addresses opportunities for improvement and risk reduction.

Recommendations List

Rec. ID	Owner	Related Parties	Recommendation
1.1	Payroll Audit Division	City Manager's Office; Human Resources; Information Technology; stakeholder departments	<p>Work with the City Manager's Office, Human Resources, Information Technology, and stakeholder departments to develop and maintain a single Citywide Payroll Policy and Procedure Manual. The manual should:</p> <ul style="list-style-type: none"> • Document ERMA/Tyler Munis workflows. Provide step-by-step guidance, screen shots, and control points for all standard payroll transactions. • Incorporate labor agreement provisions. Translate each current labor agreement into clear payroll instructions (e.g., overtime differentials, specialty pays, leave accrual rules). • Set an update schedule. Require a review at least every three years, or sooner if a major system or contract change occurs and assign ownership for keeping the manual current.
2.1	Payroll Audit Division	City Manager's Office; Information Technology	Request that the City Manager's Office and the Information Technology Department re-prioritize the implementation of an electronic timekeeping system.
2.2	Payroll Audit Division	Information Technology; Fire Department	Coordinate with the Information Technology Department to integrate Telestaff, the timekeeping systems used by the Fire Department, into ERMA, similar to their current initiative to integrate the Police Department's CAREWARE into ERMA.
3.1	Payroll Audit Division	City Manager's Office; Information Technology	<p>Request that the City Manager's Office and the Information Technology Department re-prioritize the implementation of an electronic timekeeping system.</p> <p><i>(This is the same recommendation as 2.1 but duplicated here in the context of Finding 3).</i></p>
3.2	Payroll Audit Division	City Manager's Office; Information Technology	Work with the City Manager's Office and the Information Technology Department to ensure that if an electronic timekeeping system is implemented, it prohibits departments from using prefilled timecards within the system.
3.3	Payroll Audit Division	Departments currently using prefilled timecards	As a temporary measure, assist departments that use prefilled timecards to implement a targeted reminder system for employees using prefilled timecards to prompt staff to review and validate prefilled timecards before the payroll deadline.

The recommendations from Finding 4 are included in a separate confidential report due to sensitive security information that could be used to harm the City.

Other Pertinent Information

This section includes information related to observations that are not audit findings but is information that we believe is either helpful to the City or otherwise important to communicate. There are no formal recommendations based on this section of the report.

We Identified One Case That Warrants Further Review Regarding How Salaries Are Calculated and Displayed in ERMA

During our audit testing we uncovered a case of incorrect system configuration/data entry leading to a misleading compensation figure. In one sample, an out-of-class assignment and several one-time stipends were entered improperly in the payroll system, causing the system's reports to double-count portions of pay. The employee's annual salary was overstated by displaying an amount over five times larger than the actual amount. We confirmed that the employee was paid the correct amount, and the system was only displaying the wrong value.

Unclear If Isolated Bug or Systemic Issue

The Payroll Audit Division reported they had opened a support ticket with Tyler Munis. Given the unusual circumstances of the allowances we do not believe this is widespread risk.

Displayed values in ERMA could be used by staff to quickly check the accuracy of pay information. If those values are wrong, this could undermine any controls that rely on checking an employee's displayed salary in ERMA against other reported figures.

Should Be Investigated Further and Possibly Remediated

We suggest that the Payroll Audit Division fully evaluate this issue with the Information Technology Department and Tyler Munis to determine the extent of the error and ensure the problem is corrected in this and any other instances.

Sensitive Security Topic

The details of this section are issued as a separate confidential report due to sensitive security information that could be used to harm the City. The section addresses opportunities for improvement and risk reduction.

Appendix A: Payroll Clerk Survey Details

The survey targeted all 31 departmental Payroll Clerks across the City of Berkeley. The audit team distributed the questionnaire as an online survey via a Microsoft Forms link emailed directly to the Payroll Clerks on April 30, 2025. The clerks were asked to respond by May 9, 2025. A reminder email was sent on May 8, 2025. To encourage candid feedback, respondents' names were collected only for potential follow-up clarification, and the clerks were informed results would be reported in aggregate without identifying individuals. In total, nine payroll clerks submitted responses to the survey, representing multiple City departments. The following sections summarize each survey question and the aggregated results.

Question 1: Name (so we can follow up with you if needed)

[results not shown for anonymity]

Question 2: What department(s) do you serve in your payroll clerk role

[results not shown for anonymity]

Question 3: How long have you been working as a Payroll Clerk?

Distribution of Payroll Clerk tenure (years in position).

Answer	Response count
Less than 1 year	1
1-3 years	5
More than 5 years	3
TOTAL	9

Question 4: How many employees are in your department?

Department size (number of employees) served by each Payroll Clerks. Departments ranged widely in size.

Answer	Response count
Less than 20	0
Between 20 - 100	3
Between 100 - 500	6
Over 500	0
TOTAL	9

Question 5: How many payroll clerks are in your department?

Number of Payroll Clerks per department. The survey results show that most departments have two payroll clerks assigned, with occasional exceptions of larger or one-person teams.

Answer	Response count
One	1
Two	7
Three	1
Four	0
TOTAL	9

Question 6: Is there an assigned backup payroll clerk for when you are on leave or otherwise not available?

All respondents answered “Yes” – every payroll clerk indicated there is a designated backup clerk to cover their duties during leave or absences. This 100% positive response reflects backup coverage for payroll functions (a control weakness noted in past audits has evidently been addressed). Each Payroll Clerk provided the name and department of their backup in the survey (details omitted here). The universal presence of backup personnel is a strong point in continuity of operations.

Answer	Response count
Yes	9
No	0
TOTAL	9

Question 7: If "yes", provide name, position and department of backup clerk

[results not shown for anonymity]

Question 8: Thinking back over the last year, how often does your backup fill in?

Frequency with which backup clerks assume payroll duties. Among those with backups (all Payroll Clerks), the majority reported that backups are used rarely. Notably, none of the respondents use their backup on a regular (monthly or more frequent) basis. This suggests that backups exist as a contingency but are activated only infrequently, possibly during extended leave or special circumstances, rather than as part of routine rotations.

Answer	Response count
Never	2
Rarely (once or twice a year)	4
Sometimes (a few times a year)	3
Frequently (at least once a month)	0
TOTAL	9

Question 9: To the best of your knowledge has the backup received training or had the opportunity to perform your duties in the last 6 months?

Every respondent answered “Yes” to this question. In other words, all nine Payroll Clerks indicated their backup has been trained or given hands-on experience within the past half-year. This uniform result is encouraging and suggests the designated backups are kept current on payroll processes either through formal training or by shadowing/performing the duties periodically. Adequately trained backup staff help ensure continuity and mitigate risks associated with key person dependency.

Answer	Response count
Yes	9
No	0
Don't know	0
TOTAL	9

Question 10: List all payroll related trainings you have received in the past year.

Answer
- Run employee reports (incl time entry, accrual leaves, etc.) from Erma - Got trained for the correct pay codes use for employees (Sworn and Non-Sworn) - Got trained for the add pays
I've received training from my co-worker.
Year-end meeting with Payroll Audit & HR to discuss year-end closing and MOU adoption.
The trainings that I remember were on sick and vacation hours when someone terminates or retires and FMLA. Both very good. We get the best support from Payroll Audit throughout the process as new questions always arise Specifically Ann DelRosario and George Domingo; both outstanding!
Zero
I am cross-training with [different department]
Susana Khoo trained me before she retired. Julie Sowell trains me on a daily basis when I need help. Sea Liang is currently training me on Police & Fire Payroll.
None that I can remember
None.
I've received training from my co-worker.

Question 11: Do you have a copy of the 2011 Payroll Manual?

Percentage of Payroll Clerks who possess the official 2011 Payroll Procedures Manual. Possession of the manual appears inconsistent across departments; nearly half of the Payroll Clerks do not have this reference document.

Answer	Response count
Yes	5
No	4
TOTAL	9

Question 12: If "yes", does the 2011 Payroll Manual generally provide you with the information you need to perform your duties?

For the five Payroll Clerks who have the manual, most reported that it is not an adequate or up-to-date resource. One of the five who in the previous question responded "yes" to having the manual, did not answer this question.

Answer	Response count
Yes	0
No	4
TOTAL	4

Question 13: If "no", what additional information would you like included in a payroll manual?

Answer
Updated ERMA manual
Clearly defined payroll rules for respective departments.
I don't know
The payroll manual was written for a payroll system we no longer use (FUND\$) so the entire manual essentially needs to get updated with all information pertinent to our current payroll system (ERMA, aka Tyler Munis.) It would take me hours to state what more I would like included, but off the top of my head, we need a list of the pay codes with specific instructions on how and when to use each code. We also need a legend to help explain the paycheck stubs to employees. Everything is abbreviated and most items are not self explanatory. It would also help to have a resource that explains what each of the deductions is for. Also, there are many links in the manual that would probably be great to dive deeper into, but the links no longer work, so they are useless as well.
Yes and No - the NO would be when I have issues with ERMA or process questions about ERMA

Question 14: How would you describe the overall efficiency of the payroll process?

Payroll Clerks' ratings of the payroll process efficiency.

Answer	Response count
Very efficient	0
Efficient	5
Neutral	2
Inefficient	2
Very inefficient	0
Prefer not to answer	0
TOTAL	9

Question 15: How often do timesheets you review have errors?

Frequency with which clerks encounter errors in employee timesheets. The results show that Payroll Clerks encounter errors in timesheets with regularity, though frequency varies. These self-reported figures underscore that timesheet errors are a persistent issue, with nearly half of Payroll Clerks seeing them very often.

Answer	Response count
Never	0
Rarely (less than once a month)	2
Occasionally (once a month)	1
Sometimes (a few times a month)	2
Frequently (multiple times every pay period)	4
TOTAL	9

Question 16: If your response was "sometimes" or "frequently," what types of errors do you typically encounter?

The prevalence of pay code mistakes and missing approvals highlights areas where additional training or system controls could help reduce error rates.

Answer
I see sometimes they pick the wrong work codes in the system
Incorrect pay codes, incorrect pay period dates, timesheets not signed by supervisors, insufficient accumulated accruals
Incorrect pay codes, supervisor approval missing, overtime not requested/approved, leave slip missing, accrued leave surpassed.
Incorrect labor codes
Incorrect pay codes, using accruals that are not available, hours not matching leave slips.
occasionally, employees forget to enter overtime shifts on their timecard.
Incorrect pay codes, questions about revisions requested, codes on timecards not matching codes on leave slips, hours not adding up...

Question 17: Do you have any suggestions for improving the accuracy of timesheets?

In their own words, Payroll Clerks proposed numerous improvements to reduce timesheet errors.

Answer
Simplify the work codes and make them easier for employees to understand
Electronic hour and date entries by employees, reviewed and approved by supervisors, final approval by pay clerk.
Ensuring staff have access to accrued leave balances. Staff submitting timesheets online. Higher class pay codes published for approved staff.
Supervisor training and reminders They're supposed to review their division's timecards before they submit them to Payroll. Some supervisors do, many do not and just send them in.
Supervisors actually reviewing the timecards prior to sending them to me
Employees should review their time entries at the end of the pay period (Sunday) to make sure it is accurate before Payroll Clerks submit time to Payroll Audit.
I don't have any suggestions
Move forward with implementing the electronic payroll system we were told we would be starting around June 2021.
Our process in [redacted] is a little different, but it works for us. We upload our timesheets into Teams. We have a channel specifically for our timesheets and managers and staff all have access to it.

Question 18: Do you know how to run all useful payroll reports?

Proportion of Payroll Clerks who feel they know how to run all useful reports. We used the term "useful" reports since the reports necessary to each Payroll Clerk might differ. In addition, we used this term after considering that some staff might be apprehensive about appearing unfamiliar with a key software system and the term "useful" allows for some intentional subjectivity in their response.

Answer	Response count
Yes	7
No	2
TOTAL	9

Question 19: If your response above is "No," please provide a list of all the reports you are unsure how to run.

The two responses suggest that for these staff, they are not familiar with ERMA's reporting options generally.

Answer
I'm not even aware of what reports can be ran
I say "no" because I only run the Time Entry History and Hours Proof Reports. I'm guessing there are other "useful reports" that I am not familiar with.

Question 20: Do you feel you have adequate training and support for using ERMA?

Payroll Clerks' views on whether their ERMA system training/support is adequate.

Answer	Response count
Yes	6
No	1
Prefer not to answer	2
TOTAL	9

Question 21: If your response above is "No," please specify the areas or topics where you would like to receive additional training.

(Open-ended question – responses summarized) The clerk who answered “No” to the previous question provided clear suggestions: they desire regular, structured opportunities to learn and troubleshoot ERMA. Specifically, they envisioned a monthly ERMA user group meeting to share processes and tips, a peer network to call for help when stuck, and on-demand training materials (such as updated manuals or training videos) focusing on daily tasks.

Answer
We don't have "support" for using ERMA. There is no "ERMA Support Line" we can call when we need help. Usually, if our supervisor or co-worker doesn't know how to do something, the answer is either "ERMA doesn't do that" or we try to find a work-around. As for training, I remember getting trained when we first started using ERMA in 2021, but as far as ongoing payroll trainings, there haven't been any. It would be great to have an ERMA User Group that gets together once a month to discuss processes and learn new ways of doing things from each other, and possibly a friend to call to get help when we're stuck on something. It's also hard to say what additional training I would like, when I don't even know what ERMA is fully capable of doing. It would be great if we had training videos that pertained to our daily work and/or manuals to reference when we're trying to figure something out.
I'm in [redacted] so luckily I do have the support for ERMA - readily available.

Conclusion

The Payroll Clerk survey provided structured insights into the operational realities and challenges faced by department's Payroll Clerks. It augmented our numerous interviews and provided uniform data we could consider in the audit.

The results indicate that while certain controls (like backup clerks) are in place, there are areas for improvement in training, documentation, and system modernization. Common pain points, such as frequent timesheet errors, reliance on an outdated manual, and mixed feelings about system support, align with the audit's findings about process inefficiencies.

Auditee Response Letter



October 15, 2025

Julian Metcalf
GPP Analytics
2478 Tierra Drive
Los Osos, CA 93402

Dear Julian,

I would like to thank you and your team for conducting this audit of our Payroll Audit Division.

I am pleased that your audit found that Payroll Audit's staff and management demonstrated a detailed command of critical payroll elements within their complex operating environment. You also noted that they correctly applied various payroll, labor, and statutory rules, ensuring high-risk components of each payroll are handled accurately despite system constraints. As a result, your testing did not show any evidence of improper payments, and that the Division was able to identify and correct issues before they led to material errors. Thank you for acknowledging the proactive and precise work environment the Division has cultivated to accomplish this.

Overall, we agree with the audit recommendations. As you noted in the audit, an important consideration for implementing the recommendations is that Payroll Audit functions within a broader system of rules and regulations but does not have authority to interpret or change them. The Division's role is limited to applying employee pay rules as interpreted by Human Resources and city management. The payroll process also requires technology systems that involve collaboration with Information Technology. With these considerations, we present the following responses to the recommendations contingent upon availability of resources:

- 1.1 We agree and have already begun the process to update the manual. Payroll Audit will convene a revision committee to continue the process. This will be a substantial project with a goal of completion by January 2027. A biennial review and update schedule will be implemented.
- 2.1 We agree and will work with the City Manager's Office and the Information Technology Department to test and implement an electronic timekeeping system once the project is prioritized.
- 3.1 We agree and will work with the City Manager's Office and the Information Technology Department to test and implement an electronic timekeeping system once the project is prioritized.
- 3.2 We agree and will coordinate with the City Manager's Office to present the advantages and disadvantages of prefilled timecards. The prior FUND\$ system used this prefilled approach

successfully for over 25 years without issue. Payroll Audit will implement city management's final decision.

- 3.3 We agree to assist departments in implementing a reminder system for employees and supervisors to review and validate timecards before final submission to payroll clerks. This system will be maintained by the departments using prefilled timecards with recommended language from Payroll Audit.

We also agree with and will implement the recommendations to strengthen data security listed in the confidential section.

We appreciate the time and effort invested in this audit and the insights it has provided. We are committed to implementing the recommendations to strengthen our processes and ensure continued compliance, efficiency, and transparency. We look forward to ongoing collaboration to support the integrity and effectiveness of our payroll operations.

Sincerely,

A handwritten signature in black ink, appearing to read "Jenny Wong".

Jenny Wong, City Auditor