



City Auditor's Office

INFORMATION CALENDAR

March 9, 2010

To: Honorable Mayor and Members of the City Council
From: Ann-Marie Hogan, City Auditor
Subject: City Auditor's Proposed Budget Cuts FY 2011

INTRODUCTION

The City Auditor intends to reduce expenses in payroll and benefits administration and oversight by the equivalent of up to one full-time employee. In 2011, this will be accomplished by providing temporary assistance from non-audit (payroll and administrative) staff to various City departments.

CURRENT SITUATION AND ITS EFFECTS

The City Manager has asked all of the City's Department Directors to submit proposals for "5% across the board" General Fund reductions. There appear to be about 20 Full Time Equivalent employees (FTE) in payroll and benefits administration and oversight in Human Resources, the Auditor's Office, the City Manager's Office, and operating departments.

The City Auditor and the Director of Human Resources have been working on efficiencies in payroll and benefits. Planned improvements should allow elimination of one position. Since there are no position vacancies in the Auditor's Office, providing temporary non-audit staff to other departments should minimize disruption.

BACKGROUND

The City Auditor eliminated two Business License Tax auditor positions in prior budgets. Two years ago, we implemented an innovative program to save a quarter of an FTE by providing temporary services to other departments. Three employees from Payroll Audit, as well as the Administrative Assistant, worked in other departments to help address backlogs and to help improve written procedures and systems. The City Manager and the client departments were pleased with the results.

This year, the City Manager has requested identification of more substantial "across the board" service cuts. The February 10, 2009 "[City Auditor's Budget Discussion](#)", shows that any city would take unacceptable risks if support and oversight services were cut proportionately to direct services. It is a fundamental principle of budgetary/cost accounting that a 20% increase in operating staff would not require a 20% increase in fiscal services. Conversely, a 20% cut in operating staff would not reduce workload in support and oversight functions by 20%.

What does make it possible to reduce resources without reducing services or increasing risk is finding a way to do the work more efficiently. Our audits are aimed at helping departments do exactly that. In a public sector environment, making the necessary changes takes interdepartmental cooperation, careful planning, and persistence.

INTERNAL CONTROL RISK OF BUDGET REDUCTION

Any reduction in Payroll Audit resources carries some risk that employees will be underpaid, and a much greater risk that employees will be overpaid, and that this will not be detected. This risk is less significant than the risk involved in eliminating performance audit resources.

There is some risk that the City Auditor's Office will not be able to fully meet the targeted reduction, which is about \$97,000. This would happen if not enough departments took advantage of the program. The City Manager's support will be helpful in reducing this risk.

POSSIBLE FUTURE ACTION

As recommended by the City Auditor, the City Manager is moving forward on two proposals that may enable additional efficiencies (savings) in the Citywide payroll/benefits system. The first is to negotiate substantial changes to the agreements with the bargaining units, aimed at simplifying and standardizing payroll rules and benefits. If that effort is successful, the City may also move forward to allow individual employees to enter their own time in the system, with electronic review and approval replacing cumbersome manual timecard approval processes. Because it is unlikely that these changes will be implemented before 2014, the City Auditor does not anticipate having any further staff reduction proposals for 2013 or 2014.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

There should be reductions in the number of staff needed to administer payroll and benefits Citywide. In addition to consolidating some of the 20 FTEs specifically assigned to payroll and benefits, supervisors in the departments should also see decreased workload if the City Manager implements the City Auditor's proposals.

CONTACT PERSON

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