

**To the Mayor and Members of the City Council****August 3, 2021**

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**SUBJECT: PAYROLL PROCESS UPDATE**

In 2010, the City implemented the payroll module of the PeopleSoft ERP system (the "PeopleSoft Payroll System"). The PeopleSoft Payroll System brought a number of efficiencies to the city-wide payroll process including enhanced programming capabilities and electronic, decentralized time entry. Previously, the City utilized a mainframe based payroll system that was largely paper based.

Since then, the number of pay types, pay nuances and rates have grown as agreements mature and laws change. The result is an increasingly complex compensation system which have led to imbedded programming errors. Payroll errors over the past several years have resulted in either overpayments or underpayments to employees. Numerous exception reports and payroll system changes were implemented over time which increased the complexity and time required to calculate payroll.

To address these concerns, the staff established a taskforce to examine the root cause for payroll errors and recommend steps to reduce or eliminate future errors. Members of the committee include staff from the Information Technology Services (ITS), Human Resources (HR) and Financial Management Services Departments (FMS). The Taskforce immediately commissioned a payroll process review by PFM Group Consulting, LLC. PFM's report outlined a number of recommendations including adding staff resources to the three central payroll units (IT Solutions, Human Resources, and Financial Management Services), implementing greater standardization among departments, identification of a payroll process lead within each department, and the appointment of a "lead agency" with respect to the payroll process. In addition, the City's IT Solution Department brought in a third party IT consultant to evaluate the system, which resulted in a number of recommended enhancements, which were subsequently implemented.

Pay errors relating to Fire payroll have occurred most often as the department has the most complicated and varying pay structure. An example of how a mistake in the system programing can lead to overpayments can be found in the issue that occurred when changes were made in the 2015 Fire Collective Bargaining Agreement ("CBA"). Changes in that agreement included folding a special holiday overtime supplemental pay into the normal step plan; however, the system job that calculated this special pay as a separate pay was not terminated when reprogramming the system. As a result, overpayments totaling approximately \$75,000, impacting more than 700 firefighters occurred. The result is that each firefighter must repay those funds. Employees can choose to complete the payback over time. The City Law Department has advised that the City cannot "gift public funds" and therefore must collect on overpayments from all City employees.

In response to the recent grievance submitted to the City by the Fire Union relating to Fire pay errors, the IT Solutions Department commissioned a third party review of payroll system programming in relation to the Fire CBA requirements. The review resulted in two system configuration concerns, two business process concerns and one nomenclature concern. The findings are all in a work plan and are actively being addressed.

Finally, the Taskforce conducted a formal Request for Information process to identify potential payroll system solutions. The solutions reviewed, range from replacement of time systems only to a full managed (outsourced) process solution. The Taskforce reviewed demos from several providers and is in the process of developing a final recommendation with an emphasis on solving Fire payroll challenges. A complete solution, to either completely eliminate or ensure that these types of issues are rare, will be presented to the city manager's office before the end of the calendar year as the task force completes its work. Until then, payroll staff will continue to work to minimize these issues and work with any employees impacted.

If you have any questions, please call John Samford, City Treasurer, at 817-392-8500.

**David Cooke**  
**City Manager**