

MCSO PAYROLL DISCREPANCY ANALYSIS

Office of Management and Budget

Sheriff's Office

April 13, 2011

Issue

- ▣ MCSO is primarily funded from several sources:
 - General Fund: unrestricted, primarily used for patrol
 - Detention Fund: statutorily restricted, voter-approved for detention-related expenses (A.R.S. § 42-6109(D))
 - Inmate Services Fund: statutorily restricted for programs that benefit the welfare of inmates (A.R.S. § 31-121(H))
- ▣ Discrepancies exist between “actual” and “reported” duty posts and payroll
 - Actual: work assignment based on employee timesheet
 - Reported: work assignment payroll was charged to in financial system

History

- ▣ Spring, 2010: OMB identified payroll discrepancies: some patrol positions inappropriately paid for with restricted detention funds
- ▣ Summer/Fall, 2010: Based on limited information OMB reports estimated payroll discrepancy of up to \$80 million
- ▣ Winter, 2010: Contacted Auditor General for advice on County's reporting obligations

History, continued

- ▣ January, 2011: Work group comprised of staff from OMB, Finance, Internal Audit, and MCSO formed and tasked with identifying data sources and calculating number
 - OMB
 - Finance
 - Internal Audit
 - MCSO
- ▣ Auditor General staff were involved in multiple work group meetings

Methodology

- ▣ Identified most reliable and comprehensive source of “actual” work assignment data
- ▣ Converted over 600,000 records into format needed for analysis
- ▣ Pulled and reconciled reported payroll data from payroll system (PeopleSoft) and general ledger system (Advantage)
- ▣ Compared “actual” work assignment against “reported” work assignment, assigned associated payroll costs

Methodology, cont.

- ▣ Determined the basis for allocating administrative costs between funds was faulty
- ▣ Determined new allocation methodology based on “actual” data
- ▣ Recalculated how “actual” payroll should have been charged
- ▣ Communicated with Auditor General’s Office throughout process; data files have been shared and their review of methodology has begun

Project Statistics

- ▣ Analysis covered:
 - 8 fiscal years (Feb. 2004 – current)
 - 5 funds
 - 5,700+ employees
 - 2 Million+ payroll records
 - \$1.46 Billion in payroll expenses

- ▣ NO ADDITIONAL EXPENSE INCURRED FOR ANALYSIS – USED INTERNAL STAFF

Unaudited Results

- ▣ Detention Fund: \$84.7 Million
- ▣ Inmate Services Fund: \$14.8 Million
- ▣ **Total: \$99.5 Million**

Fixing the Problem

- ▣ For staff performing duties inconsistent with their funding source:
 - Move staff into vacant positions in the correct fund (zero net effect on the budget)
 - Move filled positions to correct fund (increase to General Fund, reduction to Detention Fund)
- ▣ Convert vacant deputy positions to detention officers consistent with 2003 staffing study (reduction to Detention Fund)
- ▣ Find allowable offsets to increases in General Fund

Recommended Funding and Staffing Shifts

	General Fund FTE	General Fund Budget	Detention Fund FTE	Detention Fund Budget
Sheriff				
Detention Staff	(29.00)	\$ (1,991,589)	29.00	\$ 1,991,589
Law Enforcement Staff	75.00	6,164,012	(75.00)	(6,164,012)
Administrative Staff (net)	7.90	326,920	(7.90)	(326,920)
Sheriff Subtotal	53.90	\$ 4,499,343	(53.90)	\$ (4,499,343)
Adult Probation				
Pretrial Activities	(65.00)	\$ (5,053,355)	65.00	\$ 5,053,355
Adult Probation Subtotal	(65.00)	\$ (5,053,355)	65.00	\$ 5,053,355
County Total	(11.10)	\$ (554,012)	11.10	\$ 554,012

Next Steps

- ▣ Determine how funds will be repaid, and over what period of time
- ▣ Await Auditor General review
- ▣ Work with MCSO to create safeguards for preventing future crossing of funds
 - Continue to convert Inmate Transportation staff from deputies to detention officers
 - Create business practices that support operational needs through administrative processes – including functionality of ADP

Next Steps, continued

- ▣ Continue Line-Item Control of MCSO Detention and Inmate Services funds
- ▣ More frequent audits of MCSO