Office of Internal Audit

Post-Audit Review 24-03: Payroll Deductions

October 2025

City Auditor

Stan Sewell, CPA, CGFM, CFE

Senior Auditor

Jeff Connor, J.D.

OFFICE OF INTERNAL AUDIT
Stan Sewell, City Auditor

October 21, 2025

To: Mayor Kelly
City Councilmembers

Subject: Post-Audit Review of Payroll Deductions (Report #24-03)

Dear Mayor Kelly and City Councilmembers:

Attached is a summary report on the status of audit recommendations from our 2024 Payroll Deductions audit report. The purpose of this report is to confirm whether, and to what degree, management has implemented the recommendations made in the original audit.

The original audit concluded that the City's internal controls governing payroll deductions provide reasonable assurance that payroll deductions are accurate, timely and supported by appropriate documentation. However, we identified opportunities to strengthen internal controls, improve operational efficiency, and minimize the risk of noncompliance with citywide policies and procedures.

To address these opportunities for improvement, we recommended updates and amendments to existing payroll deduction policies and procedures and changes to the City's process for maintaining employee health coverage during an approved leave of absence.

The audit had two (2) recommendations for improving the efficiency of the payroll deduction process and addressing internal control deficiencies. At the time of this Post-Audit Review, all recommendations were fully implemented.

This Post-Audit Review consisted principally of inquiries of City personnel and examinations of various supporting documentation. It was substantially less in scope than an audit in accordance with generally accepted government auditing standards. The evidence obtained provided a reasonable basis for our conclusions; however, had an audit been performed, other matters might have come to our attention that would have been reported to you and our conclusions may have been modified.

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Sincerely,

Digitally signed by Stan Sewell
DN: cn=Stan Sewell, o=City of Chattanooga, ou=Office of Internal Audit, email=ssewell@chattanooga.gov, c=US
Date: 2025.10.21 09:21:19 -04'00'

Stan Sewell, CPA, CGFM, CFE
City Auditor

Attachment

cc: Audit Committee Members
Kevin Roig, Chief of Staff
Mande Green, Chief Operating Officer
Weston Porter, Chief Finance Officer
Melody Wingfield, Chief Human Resources Officer
Brian Smart, Manager Financial Operations
Gail Duffey, Payroll Manager
Starla Benjamin, Director Total Rewards
Koren Sapp, Business Systems Manager
Jim Arnette, TN Local Government Audit

RECOMMENDATIONS FULLY IMPLEMENTED (2)

	Recommendation	Actions Taken
1	We recommended the Payroll Division update its policies and procedures to align with current systems, strengthen internal controls and improve operational efficiency.	Effective August 12, 2025, the Payroll Division updated its policies and procedures for processing payroll deductions and customizing the payroll reporting tools developed by Oracle AST.
2	We recommended the City require employees who wish to continue their health coverage during a leave of absence to make their premium payments to the City.	Effective July 1, 2025, the Human Resources Department implemented new procedures and guidelines to ensure employees are fully informed and accountable for maintaining their healthcare coverage while on leave.

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Internal Audit contracts with a hotline vendor, Navex Global, to provide and maintain the reporting system. The third party system allows for anonymous reports. All reports are taken seriously and responded to in a timely manner. Reports to the hotline serve the public interest and assist the Office of Internal Audit in meeting high standards of public accountability.

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