



Internal Audit Committee of
Brevard County, Florida

Internal Audit
of Timekeeping and Payroll Process

May 31, 2011

Prepared By:



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May 31, 2011

The Audit Committee of
Brevard County, Florida
2700 Judge Fran Jamieson Way
Viera, Florida 32940-6699

Pursuant to the approved 2010/2011 internal audit plan, we hereby submit the internal audit report of the Timekeeping and Payroll Process. We will be presenting this internal audit report to the Audit Committee at the July 27, 2011 meeting.

Our report is organized into the following sections:

Executive Summary	This provides a summary of the issues related to our internal audit of the Timekeeping and Payroll Process.
Background	This provides an overview of the Timekeeping and Payroll Process for Brevard County.
Objectives and Approach	The internal audit objectives and focus are expanded upon in this section as well as a review of the various phases of our approach.
Issues Matrix	This section gives a description of the issues identified and recommended action, as well as management's response.
Process Map	This section provides a process map depicting the flow of the Timekeeping and Payroll Process.

We would like to thank Brevard County's ('County') Office of Human Resources, the County Departments selected for sampling and the Payroll Department at the Clerk of Court County Finance & Accounting and all others who were involved in assisting the Internal Auditors in connection with the internal audit of Timekeeping and Payroll Process.

Respectfully Submitted,

INTERNAL AUDITORS

Executive Summary

Executive Summary

Tracking and paying the County's workforce is voluminous, complex, highly decentralized and thus inherently a high risk function. It should be recognized that at any given time there are at least 29 departments operating independently throughout the County. Multiple County departments have employees covered under a variety of different compensation structures, such as salary, hourly, seasonal, and under different union agreements. Pay types include work time, sick time, annual time, holidays and the like. The County's current process entails the use of manual timesheets and key entry by identified timekeepers in the field. As it is manually intensive it increases the risk of the function with opportunities for inefficiencies in the use of workforce production, increased risk of human error or mistakes, and the potential for fraudulent reporting. We would like to highlight that although the function is high risk we did not note any instances of fraud during our testing.

Our last audit report covering the County's Timekeeping and Payroll process at an entity-wide level was issued August 22, 2002. The policies developed and guidance provided by Human Resources around the timekeeping function as a result of that report facilitate strong segregation of duties and internal controls. However, the decentralization of the function has resulted in varying 'internal department procedures/practices' and levels of documentation relating to timekeeping throughout the County. Based on the results of our testing, we will be recommending timekeeping as a revolving cycle audit to be performed as part of the proposed annual internal audit plan. The objectives of the cycle audit will be to standardize timekeeping procedures throughout the County and perform detailed timekeeping testing for identified high risk departments.

During the course of our work, we discussed the control design and operating deficiencies with management. We have provided in the Appendix process maps for timekeeping and payroll. Our observations and recommendations for improving controls and operations are described in detail in the Issues Matrix included in this report. Each issue is assigned a relative risk factor. Relative risk is an evaluation of the severity of the concern and the potential impact on operations. Items rated as "High" risk are considered to be of immediate concern and could cause significant operational issues if not addressed in a timely manner. Items rated as "Moderate" risk may also cause operational issues and do not require immediate attention, but should be addressed as soon as possible. Items rated as "Low" risk could escalate into operational issues, but can be addressed through the normal course of conducting business. Following is a high level summary of the major issues identified during our review of the Timekeeping and Payroll Processes.

Observation Summary	Relative Risk
Timekeeping and Payroll	
<p>1. <u>Segregation of Duties and User Access</u>: We reviewed the segregation of duties and user access for the timekeeping and payroll functions and noted the following:</p> <p><u>Insufficient Payroll Time Verification and Output Segregation of Duties</u></p> <ul style="list-style-type: none"> • 6 centralized departments have three or more employees with access to the timekeeping system. For centralized departments (e.g., Emergency Management, Transit Services, Tourism, Utility Services), access to more than two individuals within a department may compromise the integrity of the data input and the confidentiality of the payroll information for the employees of that department as the access is not limited. • The County has implemented Administrative Order 16: Verification, Review and Approval of Time Entry Data in the SAP HR/Payroll System. We noted the following exceptions in 4 of the 5 departments sampled: <ul style="list-style-type: none"> ○ For 3 of the 5 departments sampled, the time entry verifier is either the department timekeeper (timekeepers) and/or has timekeeping access in SAP. ○ For 2 of the 5 departments sampled, post payroll review is performed by a person with timekeeping access in SAP. For one of the department exceptions, the post payroll reviewer is not a Department Manager level or above, as required by Administrative Order 16 Section IV. <p><u>User Access</u></p> <ul style="list-style-type: none"> • Persons in the Payroll Department at the Clerk of Court Finance & Accounting Department have access to update basic pay in SAP. 	High

Executive Summary

Observation Summary	Relative Risk
Timekeeping	
<p>2. <u>Incomplete and Inaccurate Employee Timesheets</u>: During our detailed testing, we noted the following errors/inconsistencies related to the manual completion and review of employee timesheets:</p> <p><i>Accuracy of Employee Timesheets to SAP Input</i> - We noted the following timesheet accuracy exceptions within 2 of the 5 departments sampled:</p> <ul style="list-style-type: none"> • 1 of the 15 employees for a sampled department was underpaid .5 hours of overtime per review of the employee's timesheet as compared to SAP. • 3 of the 15 employees for a sampled department had the following exceptions: <ul style="list-style-type: none"> ○ 1 of 3 employees was overpaid by 2.5 hours of straight time; ○ 1 of 3 employees was overpaid by 4 hours of straight time and 6 hours of overtime; and ○ 1 of 3 employees was underpaid for .25 hours of overtime. <p><i>Documented Timesheet Review and Approval</i> – We noted the following documented timesheet review and approval exceptions within 3 of the 5 departments sampled:</p> <ul style="list-style-type: none"> • For 3 of the 5 selected departments, 4 of 20, 1 of 15 and 1 of 15 respectively, selected employee timesheets within the departments were lacking documented review and approval. • One of 56 employees sampled with overtime had a timesheet lacking documented review and approval. Per the County adopted <i>Merit System Procedure VII Section V.A. "Except for emergencies all overtime must be approved in advance by the appointing authority or a subordinate supervisor, if such authority to approve overtime has been specifically designated.</i> • One of the departments implemented a policy requiring an "Overtime Authorization Request" form be completed and attached to the employee's timesheet when overtime is worked. For 1 of 11 employees sampled with overtime, the timesheet showed 10 hours of overtime worked, but only 1.5 hours were listed and approved on the Overtime Authorization Request form, which was signed and dated after the last work day of the pay period. <p><i>Timeliness of Timesheet Review and Approval</i> –</p> <ul style="list-style-type: none"> • Of the 74 timesheets with documented review and approval, we were unable to verify timeliness for 74 timesheets as the date of approval was not documented. • Two of five departments had 1 of 12 and 3 of 12 employee timecards with approvals dated after the timesheets were submitted to payroll. <p><i>Employee Sign Off on Timesheet</i> –</p> <ul style="list-style-type: none"> • County policies and procedures do not require employees to certify to the best of their knowledge the information is true and correct regarding the payroll hour worked and reported on their respective timesheets. • 1 of 5 departments has established standard operating procedures (SOPs) that require employee sign off on their respective timesheet. • 5 of 80 timesheets were lacking sign off by the respective employee. <p><u>Inconsistent Department Timekeeping Procedures</u> Although the County has documented Policies and Procedures and Administrative Orders regarding the facets of timekeeping, we noted during our detailed testing that there was an inconsistent timekeeping process implemented across all of the 5 departments sampled. The inconsistencies in department policies and procedures were noted as follows: Requirement of employee reviewing and signing off on respective timesheets; Overtime authorization; Leave form use requirement; and Position level of post payroll review.</p>	High

Executive Summary

Observation Summary	Relative Risk
Timekeeping - continued	
<p>3. <u>Payroll Bank Reconciliations:</u> Clerk of Courts Finance General Accounting Procedures Manual Section 6.A states "Reconciliation is to be performed monthly, completed within 30 days after the close of the month." Of the 2 selected months of bank reconciliations reviewed, we noted the following:</p> <ul style="list-style-type: none"> • The October 2010 payroll bank statement was not reconciled and reviewed until January 2011. • The November 2010 payroll bank statement was not reconciled and reviewed until April 2011. • Check #1069542, dated 2/14/2008, was listed as a reconciling item on the October 2010 and November 2010 payroll bank reconciliations, should have been submitted as abandoned property during the May 2010 submission made by the Clerk of Court Finance & Accounting Department. 	High
<p>4. <u>Benefits Withholdings:</u> We noted the following benefit withholding exceptions during our testing:</p> <ul style="list-style-type: none"> • One employee out of 80 sampled was charged an incorrect Supplemental Life Insurance rate (employee and spouse) during calendar years 2010 and 2011. The total amount to be refunded to the employee amounts to \$101.84 • One employee out of 80 sampled was erroneously had withholdings for Child Life Insurance during calendar year 2010. The total amount to be refunded to the employee is \$8.40. 	Low

Background

Background

Overview

For purposes of this internal audit we segregated the Payroll and Timekeeping processes into the following areas:

Human Resources

The Office of Human Resources is responsible for the following:

- Gathering all required information for new hires as it relates to compliance, i.e., I-9 data, W-4, etc.
- Setting up new employees in the SAP system, i.e., pre-set work schedule, pay rates, etc.
- New hire orientation.
- Maintaining personnel files.
- Benefit enrollment and maintenance of required data.
- Calculating and programming SAP for merit and cost of living increases, as well as any other pay changes during the year.
- Making changes to compensation as authorized by the County Manager.

Timekeeping

Timekeeping is the tracking and documentation of employment related hours for all employees at the County. This covers salary, hourly, seasonal and union employees and includes work time, sick time, annual time, holidays and all other employment related time. Timekeeping involves approving, tracking and monitoring the time for each employee and inputting the employee time into the SAP computer system. The timekeeping function is decentralized and is the responsibility of each department. The departments are linked to SAP via the County intranet. The departments are responsible for tracking and documentation of employment-related hours for all employees within the department. In each department there are timekeepers that gather and enter each employee's time. As of February 28, 2011, 152 employees have timekeeper authorization in SAP.

Payroll Processing

The payroll processing function is conducted by the Clerk of Court County Finance & Accounting Department. The payroll function is made up of three individuals. The function is responsible for processing payroll, running reports, sorting remittances and checks, distributing remittances to the individual departments and mailing checks to individuals. It is estimated that 95% of County employees receive their payroll checks via direct deposit. Payroll is processed based on time entry from the departments and pay rates and benefits maintained by Human Resources. The journal entries related to payroll are done through SAP and reconciled monthly by the Clerk of Court County Finance & Accounting Department.

Financial and Other Statistical Data

Salary expenses of Brevard County, Florida for Fiscal Years (FYs) ending September 30, 2008 – 2010, and as of February 28, 2011, are as follows:

	FY 2008	FY 2009	FY 2010	February 28, 2011
Salary expense by category				
Regular Pay	\$ 98,130,284	\$ 94,925,227	\$ 89,869,910	\$ 32,344,657
Overtime	7,931,730	6,577,811	6,242,960	2,385,112
Other Pay	1,964,293	2,555,702	2,541,605	723,109
Benefits	42,488,911	41,660,213	36,899,003	14,257,034
Total salary expense	\$ 150,515,218	\$ 145,718,954	\$ 135,553,478	\$ 49,709,912

Background-continued

Financial and Other Statistical Data - continued

Payroll related data as of FY ending September 30, 2008 – 2010, and as of February 28, 2011, are as follows:

	FY 2008	FY 2009	FY 2010	February 28, 2011
Number of Employees:				
Full-time	2,432	2,366	2,248	2,084
Part-time	529	460	406	342
Temporary	537	142	140	96
Total employees	3,498	2,968	2,794	2,522

Number of Employees:	2,522
Non-Union	1,363
Union	1,159

Number of Employees:	2,522
Exempt	453
Non-Exempt	2,069

Current Policies and Procedures

The Federal government and the State of Florida have many laws and statutes that the County must comply with regarding timekeeping, hourly pay and labor related issues. They include, but are not limited to, the Fair Labor Standards Act (FLSA), Family & Medical Leave Act (FMLA) of 1993, and Florida Statutes 17, 112, and 119 which address Direct Deposit, Deferred Compensation and Public Records.

In addition to these, the County has adopted the Merit System Policies and Merit System Procedures, as well as Administrative Order 16. These Policies and Procedures address specific areas related to timekeeping at the County level including personnel records and reports, leave time, employee performance evaluations and performance, etc.

In addition to the general Merit System Policies and Administrative Order 16, certain employees are covered under collective bargaining agreements. The collective bargaining agreements currently in place at the County include:

- Labor Agreement between Board of County Commissioners, Brevard County and Laborers' International Union Local 678
- Labor Agreement between Board of County Commissioners, Brevard County and Brevard County Fire Rescue Association Local 2969 IAFF AFL/CIO-CLC (Rank & File)
- Labor Agreement between Board of County Commissioners, Brevard County and Brevard County Fire Rescue Association Local 2969 IAFF AFL/CIO-CLC (Supervisory Unit)

Consistent with the risk identified in the risk assessment, our internal audit focused on timekeeping at the departments as well as payroll processing at the Clerk of Court County Finance & Accounting Department. Accordingly, our objectives, approach and testing specifically target the timekeeping and payroll at the departments as described in the following sections.

Objectives and Approach

OBJECTIVES AND APPROACH

Objectives

Objectives of the internal audit of the Payroll and Timekeeping Process included the following:

- Identified and assessed effectiveness of accounting and administrative controls over timekeeping and payroll related processing.
- Validated that controls over timekeeping and payroll include procedures and documents that assure the data used to generate payroll disbursements are adequate.
- Determined whether the records and documentation for timekeeping and payroll related items are sufficient to establish an audit trail for all transactions involving employees' time, pay and deductions.
- Determined whether access to timekeeping and payroll data is controlled to maintain integrity of the data.

Approach

Our audit approach consisted of three phases:

Understanding and Documentation of the Process

During phase one, we interviewed personnel in the payroll function in the Payroll Department at the Clerk of Court County Finance & Accounting and the County's Office of Human Resources to discuss the scope and objectives of the audit work and obtain preliminary data. We conducted interviews with responsible personnel and their supervisors from various departments related to timekeeping and documented their role in the process. We reviewed Florida Statutes, County Administrative Orders, County policies, union agreements and other resources related to timekeeping and payroll. We also conducted inquiries with the Information Systems group to understand SAP and any controls as they relate to timekeeping and payroll.

Detailed Testing

The purpose of this phase was to test detailed time records and payroll related transactions for the selected departments based on our understanding of the process. The period under review was from September 1, 2010 through February 28, 2011. We selected 5 County departments (80 timesheets) for the completion of our detailed testing as follows: Animal Services, Fire Rescue, Housing and Human Services, Mosquito Control and Utility Services. We conducted the following testing to meet our audit objectives outlined above:

Timekeeping at the Department level:

- On-site visit and inquiry of department personnel to obtain detailed documentation of the process.
- Testing of employee time tracking methods, practices, documents and procedures.
- Testing of overtime approval, documentation and reporting.
- Testing of leave time tracking and approval process.
- Testing of monitoring of overall time worked by Department Heads/Managers.
- Testing of compliance with Union contracts.
- Review of forms utilized.

Payroll processing

- Review processing of payroll.
- Review payroll related items to the bank statements.

Human Resources

- Testing of employee set up and terminations.
- Testing of employee pay rate.
- Testing of compliance with regulations and laws.
- Verification of deductions from pay to supporting documentation, including taxes and benefits.
- Review maintenance of personnel files.

OBJECTIVES AND APPROACH

Approach – continued

Detailed Testing - continued

Computer Assisted Audit Techniques (CAATs)

- Comparison of manually prepared termination log (TERM Log) maintained by HR as compared to terminations in SAP from 10/1/09 – 2/28/2011.
- Analysis of active employees in SAP with duplicate information such as, same or similar name; social security numbers, addresses and telephone numbers
- Analysis of active employees in SAP with missing social security numbers (SSN).
- Analysis of SSN validity as compared to the Social Security Administration Website.
- Comparison of employees receiving paychecks per the SAP Payroll Transaction Report for FY 2011 as compared to the SAP Active Employee Listing.

Reporting

At the conclusion of our audit, we documented our understanding of the process and summarized our findings related to the Timekeeping and Payroll processes. We conducted an exit conference with the County's Office of Human Services, Payroll Department at the Clerk of Court County Finance & Accounting, Funds Accountants Supervisor, Assistant County Manager of Management Services Group and County Manager. We have incorporated management's response into our report.

Issues Matrix

ISSUES MATRIX - TIMEKEEPING AND PAYROLL

Rating	Issues	Recommendation	Management Response
High	<p>1. <i>Segregation of Duties and User Access</i></p>		
	<p>Appropriate segregation of duties should include separating authorizing, recording, and reconciling functions. These duties are typically owned by different departments. We reviewed the segregation of duties for the timekeeping and payroll functions within the County Departments sampled, Human Resources and the Payroll Group within the Clerk of Court County Finance & Accounting Department and noted the following:</p> <p><u>Insufficient Payroll Time Verification and Output Segregation of Duties</u></p> <ul style="list-style-type: none"> • 6 centralized departments have three or more employees with access to the timekeeping system. For centralized departments (e.g., Emergency Management, Transit Services, Tourism, Utility Services), access to more than two individuals within a department may compromise the integrity of the data input and the confidentiality of the payroll information for the employees of that department as the access is not limited. • The County has implemented Administrative Order 16: Verification, Review and Approval of Time Entry Data in the SAP HR/Payroll System. We noted the following exceptions in 4 of the 5 departments sampled: <ul style="list-style-type: none"> ○ For 3 of the 5 departments sampled, the time entry verifier is either the department timekeeper (timekeepers) and/or has timekeeping access in SAP. ○ For 2 of the 5 departments sampled, post payroll review is performed by a person with timekeeping access in SAP. For one of the department exceptions, the post payroll reviewer is not a Department Manager level or above, as required by Administrative Order 16 Section IV. 	<p>We recommend that the County implement the following steps in order to ensure proper segregation of duties and user access within the Timekeeping and Payroll processes:</p> <p><u>Insufficient Payroll Time Verification and Output Segregation of Duties</u></p> <ul style="list-style-type: none"> • The Department Head/Manager of departments where there are 3 or more employees with access to the timekeeping profile should obtain a user list and review to ensure that each user needs access to perform their primary job function, and facilitate removal of unnecessary access to the timekeeping profile. • Re-educate and provide additional training and communication to departments to ensure compliance with existing policies and procedures as follows: <ul style="list-style-type: none"> ○ Departments are required to ensure that the designated time entry verifiers are in compliance with <i>Administrative Order 16 Section II, "Time entry verifier is an employee who does not have authorization to enter time into SAP..."</i> ○ Post payroll review and approval should be by an appropriate level of management in accordance with Administrative Order 16 Section IV. • Administrative Order 16 Section IV should be updated to state that payroll output reports should be reviewed and approved by the Department Managers/Head with proper sign-off and kept on file at the respective site. 	<p>Response:</p> <p><u>Insufficient Payroll Time Verification and Output Segregation of Duties</u></p> <ul style="list-style-type: none"> • Departments with three or more employees with access to Time Entry: <p>Centralized departments with more than two time keepers have been provided a listing of the authorized timekeepers for review. Several departments have already reduced the number of timekeepers.</p> • Departments were recently sent an email communicating to them the time verification requirements associated with AO 16. Additionally, two training sessions have been scheduled to further review time verification requirements with appropriate departmental personnel. • AO-16 has been updated as recommended. <p>ECD: Present</p> <p>Responsible Party: Personnel Manager</p>

ISSUES MATRIX - TIMEKEEPING

Rating	Issues	Recommendation	Management Response
High	1. <i>Segregation of Duties and User Access - continued</i>		
	<p><u>User Access</u></p> <ul style="list-style-type: none"> Persons in the Payroll Department at the Clerk of Court Finance & Accounting Department have access to update basic pay in SAP. <p>Without the proper segregation of duties and user access surrounding timekeeping and payroll, the following could occur without being detected in a timely manner, if at all:</p> <ul style="list-style-type: none"> Errors, Establishment of fictitious employees, Misappropriation of payroll funds, Unapproved pay increases and/or delay of termination processing, and Or other types of irregularities. 	<p><u>User Access</u></p> <ul style="list-style-type: none"> The Payroll Department at the Clerk of Court Finance & Accounting Department's access should be limited to payroll processing only. If access to basic pay rates cannot be limited as it would affect other functionalities needs to process payroll in SAP, each pay period a SAP exception report of basic pay rate changes made by persons in the Payroll Department should be run by Human Resources for independent review and validation of changes made to basic pay rates. <p>Appropriate segregation and user access should be reviewed and monitored regularly, especially when there are job / function changes. This will improve the independence of the review of time entered and will aid in the identification of errors (if any) as identified in Issue #2.</p>	<p>Response: - continued</p> <p><u>User Access</u></p> <ul style="list-style-type: none"> Each pay period, Human Resources will run an SAP exception report of basic pay rate changes made by persons in the Payroll Department for independent review and validation of changes made to basic pay rates. <p>ECD: Present</p> <p>Responsible Party: Personnel Manager</p>

ISSUES MATRIX - TIMEKEEPING

Rating	Issues	Recommendation	Management Response
High	<p>2. Timesheet Accuracy, Verification and Authorization</p>		
	<p>Timesheets currently used at the departments do not always offer accurate time records as the timesheets are manually completed and then manually input into the system. Due to the manually intensive timekeeping process, the Department Manager/Head and Time Entry Verifier review of the timesheets to supporting documentation is a key step in detecting erroneous time reporting and over/under payments caused by human error.</p> <p><u>Accuracy of Employee Timesheets to SAP Input</u> We noted the following timesheet accuracy exceptions within 2 of the 5 departments sampled:</p> <ul style="list-style-type: none"> • 1 of the 15 employees for a sampled department was underpaid .5 hours of overtime per review of the employee's timesheet as compared to SAP. • 3 of the 15 employees for a sampled department had the following exceptions: <ul style="list-style-type: none"> ○ 1 of 3 employee timesheets did not agree with the SAP input by 2.5 hours. This was due to a subsequent requested adjustment made by the department timekeeper, which was not later reflected on the employee's timesheet. ; ○ 1 of 3 employees was overpaid by 4 hours of straight time and 6 hours of overtime; and ○ 1 of 3 employees was underpaid for .25 hours of overtime. <p><u>Timeliness of Timesheet Review and Approval</u></p> <ul style="list-style-type: none"> • Of the 74 timesheets with documented review and approval, we were unable to verify timeliness for 74 timesheets as the date of approval was not documented. • Two of five departments had 1 of 12 and 3 of 12 employee timecards with approvals dated after the timesheets were submitted to payroll. 	<p>The County's current process entails the use of manual timesheets and manual key entry by identified timekeepers in the field. As it is manually intensive it increases the risk of the function with opportunities for inefficiencies in the use of workforce production, increased risk of human error or mistakes, and the potential for fraudulent reporting. We would like to highlight that although the function is high risk we did not note any instances of fraud during our testing.</p> <p>Based on the risks, we recommend timekeeping as a revolving cycle audit to be performed as part of the proposed annual internal audit plan beginning. The objectives of the cycle audit will be to ensure that department implemented timekeeping procedures are consistent with County established policies and perform detailed timekeeping testing for identified high risk departments.</p> <p>The above will help strengthen accountability to the employees and Department Managers/Heads to help ensure accurate reporting of employee time.</p>	<p>Response:</p> <p>Human Resources concurs with the recommendation that timekeeping audits on a revolving cycle be performed for identified high risk departments on a biennial basis beginning in FY 2012/13.</p> <p>ECD:</p> <p>Responsible Party:</p>

ISSUES MATRIX - TIMEKEEPING

Rating	Issues	Recommendation	Management Response
High	2. <i>Timesheet Accuracy, Verification and Authorization - continued</i>		
	<p><u>Documented Timesheet Review and Approval</u> We noted the following documented timesheet review and approval exceptions within 3 of the 5 departments sampled:</p> <ul style="list-style-type: none"> • For 3 of the 5 selected departments, 4 of 20, 1 of 15 and 1 of 15 respectively, selected employee timesheets within the departments were lacking required Supervisor or above documented review and approval on the timesheet. • One of 56 employees sampled with overtime had a timesheet lacking documented review and approval. Per the County adopted <i>Merit System Procedure VII Section V.A. "Except for emergencies all overtime must be approved in advance by the appointing authority or a subordinate supervisor, if such authority to approve overtime has been specifically designated."</i> • One of the departments implemented a policy requiring an "Overtime Authorization Request" form be completed and attached to the employee's timesheet when overtime is worked. For 1 of 11 employees sampled with overtime, the timesheet showed 10 hours of overtime worked, but only 1.5 hours were listed and approved on the Overtime Authorization Request form, which was signed and dated after the last work day of the pay period. 		

ISSUES MATRIX - TIMEKEEPING

Rating	Issues	Recommendation	Management Response
High	2. <i>Timesheet Accuracy, Verification and Authorization - continued</i>		
	<p><u>Inconsistent Department Timekeeping Procedures</u> The County has documented Policies and Procedures and Administrative Orders regarding the facets of timekeeping. We noted during our detailed testing that the Departments have implemented varying standard operating procedures regarding timekeeping consistent with the County established Policies and Procedures and Administrative Orders, however they were not being appropriately followed, as noted above.</p> <p>Due to the manually intensive timekeeping process, adherence to County and Department established Policies and Procedures including the review of the timesheets to supporting documentation, time verification and post payroll review are key steps in detecting erroneous time reporting and over/under payments, which may not be properly detected within a timely manner.</p>		

ISSUES MATRIX - PAYROLL

Rating	Issues	Recommendation	Management Response
High	<p>3. Payroll Bank Reconciliations</p> <p>Clerk of Courts Finance General Accounting Procedures Manual Section 6.A states "Reconciliation is to be performed monthly, completed within 30 days after the close of the month."</p> <p>Of the 2 selected months of bank reconciliations reviewed, we noted the following:</p> <ul style="list-style-type: none"> • The October 2010 payroll bank statement was not reconciled and reviewed until January 2011. • The November 2010 payroll bank statement was not reconciled and reviewed until April 2011. • Check #1069542, dated 2/14/2008, was listed as a reconciling item on the October 2010 and November 2010 payroll bank reconciliations, should have been submitted as abandoned property during the May 2010 submission made by the Clerk of Court Finance & Accounting Department. 	<p>Reconciliations quickly identify errors and needed corrections. If reconciliations are performed infrequently, errors and adjustments can go undetected, resulting in the need for significant corrections when the reconciliations are performed. Any reconciling differences should be corrected before the books are closed for the month end.</p> <p>We recommend that the Clerk of Court Finance & Accounting Department ensure compliance General Accounting Procedures Manual Section 6.A and the state requirement of timely submission of abandoned property.</p>	<p>Response:</p> <p><u>Bank Reconciliations:</u> Each month is closed on the 15th of the following month, which makes the deadline for the bank reconciliation 45 days after the end of the month. The October 2010 reconciliation was completed and reviewed on January 4th, 2011. The November 2010 bank reconciliation was completed and reviewed on April 5th, 2011. Our staff time during the December through March time period is typically consumed with preparing the County's Comprehensive Annual Financial Report which leaves little staff time to devote to daily tasks such as the bank reconciliations. Although bank reconciliations are and should be a priority, unfortunately, when faced with conflicting demands on limited staff resources, difficult decisions must be made. At the time, it was my decision that completion of the CAFR was the priority. We will continue to make our best efforts to perform bank reconciliations within 30 days after the close of the month. We will review procedures and staff assignments to determine how to reallocate resources.</p> <p>ECD: April 2012</p> <p>Responsible Party: Kathy Prothman, Fund Accountants Supervisor</p>

ISSUES MATRIX - PAYROLL

Rating	Issues		Recommendation	Management Response
High	3.	<i>Payroll Bank Reconciliations - continued</i>		Response: - continued
				<p><u>Abandoned Property</u> Outstanding checks can only be submitted to the state as abandoned property if the proper due diligence has been performed within the required time frames and the information is supplied to the Fund Accountants section prior to the report deadline. The Fund Accountant section will work closely with the Payroll section to ensure that outstanding payroll checks are submitted to the state in a timely manner.</p> <p>ECD: April 2012</p> <p>Responsible Party: Kathy Prothman, Fund Accountants Supervisor and Cynthia Colman, Payroll Supervisor</p>

ISSUES MATRIX - PAYROLL

Rating	Issues	Recommendation	Management Response
Low	<p>4. <i>Benefit Withholdings</i></p>		
	<p>We noted the following benefit withholding exceptions during our testing:</p> <ul style="list-style-type: none"> • One employee out of 80 sampled was charged an incorrect Supplemental Life Insurance rate (employee and spouse) during calendar years 2010 and 2011. The total amount to be refunded to the employee amounts to \$101.84 • One employee out of 80 sampled was erroneously had withholdings for Child Life Insurance during calendar year 2010. The total amount to be refunded to the employee is \$8.40. 	<p>We recommend that the Benefits Department perform audits of employee withholdings to ensure accuracy of the employees' withholding per the benefit election to SAP.</p>	<p>Response:</p> <p>Employee Benefits has established and implemented an annual audit process whereby deduction reports are pulled from the on-line enrollment system and compared to deduction reports pulled from the payroll system to ensure no deductions are pulled from an employee's paycheck if they have not enrolled in a particular benefit option(s).</p> <p>If a discrepancy is found, Employee Benefits will research further to confirm enrollment.</p> <p>ECD: Present</p> <p>Responsible Party: Employee Benefits Manager</p>

Other Observations

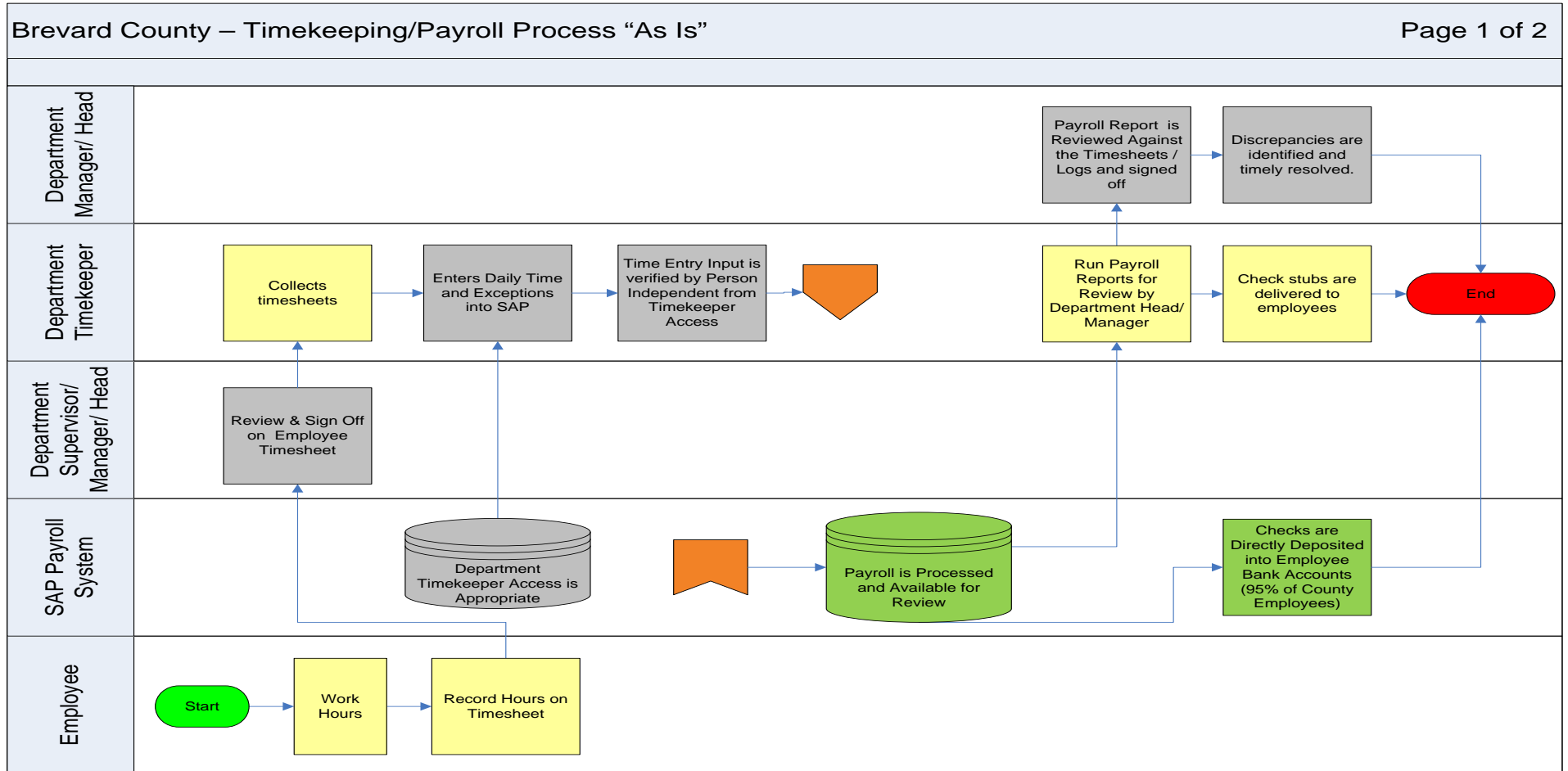
Manual Timekeeping Process - The County does not have an automated timekeeping system in place to assist in efficient and accurate timekeeping and payroll processing. The County currently utilizes SAP for timekeeping and payroll processing, which entails the use of manual timesheets, manual sign offs from Department Heads/Managers, manual key entry by timekeeper and lack of real-time reporting for Department Management.

The County should consider implementation of solutions to automate timekeeping processing to enhance the collecting, processing and monitoring of County employees' time, attendance and productivity. There will no longer be a need for manual key entry of exceptions by the timekeepers, which will also enhance segregation of duties over payroll entry and processing. Furthermore, automated timekeeping systems are capable of tracking employee and time attendance through magnetically encoded identification badges that are scanned into the time keeping machines. The systems then calculate the number of hours worked each day by hourly employees and interfaces with the payroll modules. This increases the effectiveness and efficiency in time required for the payroll department to process payroll. Other notable benefits of an automated timekeeping system include the following:

- Environmentally friendly by reducing the amount of paper utilized, printing and distribution costs
- Recording time immediately and accurately
- Reducing risk of errors of recording and calculating employee time and leave of absence
- Allowing staff real-time access to track and monitor leave of absences and ensure no overpayments
- Applying applicable/appropriate pay rules and policies consistently to all employees including employees working more than one position in the County, employees covered by union rules, hourly employees' overtime tracking, etc.
- Providing audit trails for any adjustments or changes made to employee records
- Providing relevant ad hoc management reports i.e. time and attendance, accruals, overtime, and employee data etc.
- Proper budgeting and monitoring (budget vs. actual analysis) of funds across all areas as mandated by the County
- Allows employees to access their own time and attendance data and other personnel information in real time from personal computers
- Assists with compliance with Federal Rules and Regulations: the US Fair Labor Standards Act (FLSA) by tracking weighted overtime and US Family Medical Leave Act (FMLA) requires a whole separate set of paperwork, documentation and monitoring procedures

Appendix

PROCESS MAP



“Exceptions” are those hours that the employee does not work. For example, sick time, vacation, personal time. Since the system pre-populates the time based on the employee’s status (FT or PT) only the exceptions to the hours are entered.



PROCESS MAP

