



Internal Audit Committee of Brevard County, Florida

Internal Audit Review of

Payroll/Timekeeping

**Prepared By:
Internal Auditors of Brevard County
August 22, 2002**

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August 22, 2002

The Audit Committee of
Brevard County, Florida
Viera, Florida 32940-6699

Pursuant to the approved 2001/2002 internal audit plan, we hereby submit our internal audit report covering Payroll/Timekeeping. We will be presenting this report to the Audit committee at the next scheduled meeting on September 23, 2002.

Our report is organized in the following sections:

Background	This provides an overview of Payroll/Timekeeping.
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 and Recommended Action	This section gives a description of the issues, the impact and recommended action. Management's response has been incorporated into this section as well.
Appendix	The appendix provides a detail listing of the payroll compliance testing.

The follow-up process for the issues identified in this report will consist of the following:

- ❑ County Management will follow-up with responsible personnel and report to the audit committee on a quarterly basis using the approved format.
- ❑ The Internal Auditors will conduct a formal follow-up review within 6 months of the issued report and report back to the audit committee at the regularly scheduled meeting.

We would like to thank the various departments and all those involved in assisting the Internal Auditors in connection with their review of Payroll/Timekeeping.

Respectfully Submitted,

INTERNAL AUDITORS

Background

Background

Overview

For purposes of this internal audit we segregated the Payroll/Timekeeping process 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. With the conversion to SAP, the timekeeping function has become 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.

Payroll Processing

The payroll processing function is conducted in County Finance. The payroll function is made up of three individuals. The function is responsible for processing payroll, running reports, sorting remittances and checks, and distributing remittances and checks to the individual departments. The 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 County Finance.

Financial and Other Statistical Data

Salary expenses of Brevard County, Florida at September 30, 2001, per the audited financial statements are as follows:

Regular pay	\$ 67,800,271
Overtime pay	4,288,470
Other pay	653,854
Benefits	<u>27,892,906</u>
	<u>\$ 100,635,501</u>

Background-continued

Financial and Other Statistical Data - continued

Payroll related data as of August 2002:

Number of Employees:	
Full-time	2,051
Part-time	361
Temporary	801
Total employees	<u>3,213</u>
Approximate # of paychecks for a year	<u>67,000</u>
# of employees with timekeeper authorization in SAP	<u>181</u>
# of departments to process payroll	<u>38</u>

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 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. 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. Several departments have developed their own intra-office procedures addressing timekeeping. As an example, the Water Resources Department addresses the following:

- Approval of timesheets by both employee and supervisor
- Deadlines for submitting timesheets
- Revisions to timesheets
- Leave codes and balances

In addition to the general Merit System Policies, 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 payroll/timekeeping at the departments as well as payroll processing at County Finance. Accordingly, our objectives, approach and testing specifically target the payroll/timekeeping at the departments as described in the following sections.

Objectives and Approach

Objectives and Approach

Objectives

Objectives of the internal audit review of Payroll/Timekeeping include the following:

<input type="checkbox"/> Identify and assess effectiveness of accounting and administrative controls over timekeeping and payroll related processing.
<input type="checkbox"/> Validate that controls over timekeeping and payroll include procedures and documents that assure the data used to generate payroll disbursements are adequate.
<input type="checkbox"/> Review that record retention is in accordance with applicable Federal and State regulations.
<input type="checkbox"/> Determine that 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.
<input type="checkbox"/> Determine that 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 County Finance and the 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, administrative orders, County policies, union agreements and other resources related to timekeeping and payroll. We also conducted an interview with the Information Systems group to understand SAP and any controls as they relate to timekeeping and payroll.

Objectives and Approach - continued

Detailed Testing

The purpose of this phase was to test detail time records and payroll related transactions for the selected departments based on our understanding of the process. 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 compliance with Union contracts.
- Review of forms utilized.

Payroll processing

- Review reconciliation of the County's general ledger report with detail department records.
- Observe the 'match and stuff' process of paychecks and remittances.
- Observe the distribution of checks.

Human Resources

- Testing of employee pay rate.
- Review timeliness of evaluation process as merit increases are based on evaluation rating.
- Testing of compliance with regulations and laws.
- Verification of deductions from pay to supporting documentation, including taxes and benefits.
- Review maintenance of personnel files.

The results of our detailed testing are included in Appendix A at the back of this report.

Reporting

At the conclusion of our audit, we documented our understanding of the process surrounding payroll/timekeeping based on our interviews at the County and summarized our findings related to payroll/timekeeping. We conducted an exit conference with the Assistant County Finance Director, Assistant County Manager of Management Services Group and County Manager. We have incorporated management's response into our report.

Issues and Recommended Action

<i>Issue # 1</i>	<i>Time Entry Process Verification & Authorization</i>
	<p>During our audit, we noted that County Departments do not utilize a consistent verification, approval and post-processing review.</p> <p><u>Verification</u></p> <p>We noted that some departments were proofing time entered into SAP to verification report. Others did not complete the proofing process timely or at all. In addition, the departments who were performing the reconciliation were not using a standard verification report from SAP.</p> <p><u>Approval</u></p> <p>Supervisors approve timesheets prior to data entry. However, the time entered into SAP is not authorized and released by a supervisor. We understand the current version of SAP does not have this capability. This control gap could be mitigated by a post-processing review.</p> <p><u>Post-processing Review</u></p> <p>Although payroll registers are available on-line by cost center, we found that there was not a process in place in which department heads or managers reviewed this data.</p> <p>From our review, we noted an instance where there was a discrepancy between the timesheet processed and the remittance (pay stub). The timesheet signed by the employee and authorized by the supervisor allocated 42.75 regular hours and 24 administrative leave hours, for a total of 66.75 hours. However, the time noted on the remittance allocated 46.75 regular hours and 20 administrative leave hours.</p> <p>It is unclear if this is an input error or the timekeepers ‘correcting’ time submitted by the employee.</p> <p><u>Standardization and Documented Policies and Procedures</u></p> <p>Given the decentralized nature of the departments, inconsistencies exist in the timekeeping process from department to department. During our review, we noted that the County distributed a memorandum to all department/office directors regarding the “verifying of time entry” process. However, these procedures should be enhanced. Formal, written policies and procedures provide vital information to employees in the event of absences or other occurrences. Policies and procedures should provide detailed instructions on routine functions, as well as any non-routine occurrences.</p>

Issue # 1	Time Entry Process Verification & Authorization- continued
	<p>Impact</p> <ul style="list-style-type: none"> ❑ Without timely verification of input, intentional or unintentional errors could go undetected for an unwanted period of time or indefinitely. ❑ A timely applied verification process could alleviate or reduce the number of corrective payroll checks issued, as well as, limit the necessity of employees having unproductive time in the issuance of these checks. ❑ Without proper review and approval of time records, time worked and time off could be reported incorrectly, thus resulting in misallocation of payroll funds. In addition, the managers / directors held responsible for the department, may not be aware of the current payroll expenses. ❑ Without standardized policies and procedures to process employment hours for employees, errors could occur and not be detected in a reasonable time period. ❑ In the event of employee turnover, lack of clearly defined procedures could lead to inefficiencies, possible discrepancies, and potential non-compliance with laws, policies or bargaining agreements. <p>Recommended Action</p> <p>We recommend the following:</p> <p><u>Verification</u></p> <ul style="list-style-type: none"> ❑ The County should adopt a consistent verification process for reviewing and reconciling time entry through SAP prior to payroll processing. ❑ Timesheets should be verified by a second person using a standard SAP verification (proofed) report. Verification should be concluded prior to payroll processing. ❑ Proper segregation of duties surrounding time verification as detailed in Issue #2. (A standard verification process would reduce, if not eliminate, the type of error noted above and detected in our compliance testing documented in Appendix A).

Issue # 1	<i>Time Entry Process Verification & Authorization- continued</i>
	<p><i>Recommended Action</i></p> <p><u>Approval</u></p> <ul style="list-style-type: none"> ❑ The County should consider the cost/benefit of expanding the existing SAP system to allow the appropriate management level to approve and release time entry in SAP. <p><u>Post-processing Review</u></p> <ul style="list-style-type: none"> ❑ A procedure should be formalized for post verification of processed payroll. This should include a manager or Department head review of reports (payroll register) for unusual items. <p><u>Standardized and Documented Policies and Procedures</u></p> <ul style="list-style-type: none"> ❑ We recommend that standardized timekeeping policies and procedures be implemented countywide. This will assist in proper tracking and reporting of employee hours and ensure compliance with applicable payroll laws and regulations. In addition, these policies and procedures could incorporate procedures from across the County and should be documented in a manual for future reference. With the use of standardized practices and appropriate training, utilization of employees between departments (e.g., for vacancies or sick leave) could be accomplished when necessary.
	<i>Management Response</i>
Response	<p><u>Verification:</u> An Administrative Order will be developed and implemented requiring that a second administrative support staff person utilize a standard SAP report to verify the timekeeper's entry prior to payroll processing.</p> <p><u>Approval:</u> We believe the following steps, which will be included in the Administrative Order, will provide appropriate safeguards for the timekeeping process:</p> <ol style="list-style-type: none"> (1) obtaining written supervisory approval of timesheet entries prior to data entry; (2) requiring a second administrative support staff person to utilize a standard SAP report to verify the timekeeper's entry prior to payroll processing (as outlined in <u>Verification</u>); (3) and requiring the post payroll verification process by a manager or department head (as outlined in <u>Post Processing Review</u>). <p>The existing SAP system does not have the capacity to allow management the ability to approve and release of time entry. In order to best accomplish this, the County would need to upgrade our SAP system to the next version (v. 4.6) so Employee Self Service on-line time entry and workflow could be implemented. The cost to configure the upgrade would be approximately \$500,000.</p> <p><u>Post Processing Review:</u> Our existing memorandum on post-processing review will be formalized in an Administrative Order. The Order will require a manager or Department head to review reports (payroll register) for unusual items.</p>

<i>Issue # 1</i>	<i>Time Entry Process Verification & Authorization- continued</i>
	<i>Management Response - continued</i>
Response	<p><u>Standardized & Documented Policies and Procedures</u> Information about SAP practices and procedures is currently provided to timekeepers during SAP training by the Office of Human Resources. These existing materials will be combined with references to the appropriate Merit System Policies and Procedures into an SAP manual and distributed to all timekeepers.</p>
Time frame	January 2003
Person Responsible	Carol Sheffield, Personnel Manager

Issue # 2	Segregation of Duties
	<p>During our detailed testing, we noted the following processes that diminish the effectiveness of internal controls:</p> <ul style="list-style-type: none"> ❑ Several of the timekeepers input the timesheets and also performed the verification of the data input. ❑ In some instances, timekeepers input their own time, verified time input from the report, and distributed the paychecks. ❑ When verification was performed, it was done by a staff member that had access to SAP and could ultimately change time entry. <p>Based on our sample testing, no department had these processes properly segregated.</p> <p>Impact</p> <p>Without the proper segregation of duties surrounding timekeeping, errors, misappropriation of payroll funds or other types of irregularities could occur without being detected in a timely manner, if at all.</p> <p>Recommended Action</p> <p>We recommend that all time data input by timekeepers be reviewed/verified by a separate designated employee. This employee should complete all verification of time entry prior to payroll processing. Additionally, this person should have ‘view only’ access to the payroll portion of SAP. See Issue #1 for recommendations related to Time Entry Process Verification.</p>
Management Response	
Response	We agree that segregation of duties would further increase the accountability of timekeeping. As addressed in our response to Issue #1, the Administrative Order being developed will include the segregation of duties by requiring that a second administrative support staff person utilize a standard SAP report to verify the timekeeper’s entry prior to payroll processing.
Time frame	January 2003
Person Responsible	Carol Sheffield, Personnel Manager

Issue # 3

Benefits Enrollment

We noted the following during our sample testing with respect to the benefit enrollment process:

- ❑ We noted an employee completed a waiver for vision coverage, however the employee was still being charged with the cost of its coverage.
- ❑ An enrollment form for supplemental life was completed and located in the employee file. However the premium was not deducted from the remittance and the employee was not included on the monthly invoice from the provider.
- ❑ We noted two employees enrolled in benefits, however their original enrollment form could not be located.
- ❑ We noted that the County had established a standard filing process for enrollment forms, however, all of the older enrollment forms have not been merged into the new process.

Impact

- ❑ Employees could be over charged.
- ❑ Employees may not be enrolled in benefits they have elected.
- ❑ The County may not be reimbursed for employee elections.
- ❑ Because annual enrollment is not required on each option offered, if an employee elected coverage for a specific benefit, e.g., supplemental life insurance, their coverage would continue year after year until they signed a waiver to discontinue it.

Recommended Action

We understand the County has researched and recommended to the Board to move to an automated (on-line) benefit process. We concur and believe this will address the issues noted above.

Issue # 3	Benefits Enrollment-continued
Management Response	
<p>Response</p>	<p><u>ISSUES</u></p> <p><u>Finding:</u> We noted an employee completed a waiver for vision coverage, however, the employee was still being charged with the cost of its coverage. <u>Action:</u> When this was discovered during the audit, immediate action was taken to stop the deduction and refund the employee. This was done as of July 2, 2002.</p> <p><u>Finding:</u> An enrollment form for supplemental life was completed and located in the employee file. However the premium was not deducted from the remittance and the employee was not included on the monthly invoice from the provider. <u>Action:</u> The employee has been contacted and a new enrollment form is being completed.</p> <p><u>Finding:</u> We noted two employees enrolled in benefits, however, their original enrollment forms could not be located. <u>Action:</u> One employee's enrollment form has been obtained from the insurance company and has been placed in the employee benefit file. The other employee has been contacted and an enrollment form is being completed.</p> <p><u>Finding:</u> We noted that the County had established a standard filing process for enrollment forms, however, all of the older enrollment forms have not been merged into the new process. <u>Action:</u> The process of merging all benefit records into one central file location continues. The goal is to have all records merged by November 2002.</p> <p><u>Finding:</u> We understand the County has researched and recommended to the Board to move to an automated (on-line) benefit process. We concur and believe this will address the issues noted above. <u>Action:</u> It is anticipated that the implementation process for an automated on-line enrollment process will begin by March 2003.</p>
<p>Time frame</p>	<p>Standard filing process November 2002 On-line benefit process March 2003</p>
<p>Person Responsible</p>	<p>Linda L. Johnson, Employee Benefits Manager</p>

Issue # 4	SAP Payroll Access Rights
	<p>We observed the following related to access to employee master file information in SAP. For example:</p> <ul style="list-style-type: none"> ❑ We noted that certain timekeeping employees, other department employees, as well as certain accounts payable clerks can view employee master data. These employees have not necessarily been trained on how to access this data, however their access rights do not limit access to this data. Therefore, they could view data such as pay rates, home addresses and social security numbers. ❑ The Payroll Supervisor as well as other Super Users have rights to make changes to the employees' master file information, including classification, pay status, pay rate, etc. <p>Impact</p> <ul style="list-style-type: none"> ❑ The ability for the payroll function and others outside of Office of Human Resources to make changes to master file data creates a segregation of duties issue. ❑ Increased exposure to liability issues could be a result of 'viewing' of confidential information in the employee master files. <p>Recommended Action</p> <p>We recommend the County do an analysis to determine what access currently exists (maintenance, viewer, etc.) as it relates to master file information and the timekeeping module. The County should establish 'access standards' based on job title and responsibility. Access to view personnel data should be limited to the Office of Human Resources and specific supervisors (such as Payroll and County Finance).</p> <p>To ensure proper controls, the Office of Human Resources should be the <u>only</u> department to have the 'maintenance' access to the master file for employees. Any other access should be limited to timekeepers, supervisors and other employees that have timekeeping/payroll responsibility.</p>
	Management Response
Response	We will perform an analysis to determine what access currently exists in the SAP system and then evaluate which employees need to have access and determine the appropriate level of access required based on job function.
Time frame	December 2002
Person Responsible	Carol Sheffield, Personnel Manager

Issue # 5	Overtime Reporting
	<p>During our on-site fieldwork, we reviewed procedures related to tracking overtime.</p> <p>According to the <u>Brevard County Merit System Policies</u>, Procedure VII,</p> <ul style="list-style-type: none"> A. Except for emergencies all overtime must be approved in advance by the appointing authority or subordinate supervisor; if such authority to approve overtime has been specifically delegated. B. It is the responsibility of the appointing authority to ensure accurate records of all hours, including overtime, worked are maintained. <p>We found the following as it relates to the approval process of overtime:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Some departments had designed forms for written pre-approval of overtime hours. These were attached to the timesheets that were turned in for processing. <input type="checkbox"/> Most departments said that approval was normally verbal. The timekeeper was not informed of this approval. The supervisor agreed with the overtime by signing the timesheet prior to processing. <input type="checkbox"/> Other departments, for non-emergency overtime, used written and/or verbal. <input type="checkbox"/> In one instance, approval was attached for a designated number of hours, but the timesheet reported more than the approved amount. <p>Impact</p> <ul style="list-style-type: none"> <input type="checkbox"/> The inconsistency in procedure could lead to discrepancies and irregularities in pay. <input type="checkbox"/> Abuses of overtime pay could be overlooked. <p>Recommended Action</p> <p>We recommend the County enforce the pre-approval policy with respects to overtime. Any deviation from this approval should be discussed with the supervisor prior to input into SAP.</p>
	Management Response
Response	We will include a procedure in the manual that is being prepared for timekeepers which requires any overtime not approved by the supervisor, either on the timesheet or a separate form, be discussed and authorized by the supervisor before being entered in SAP.
Time frame	January 2003
Person Responsible	Carol Sheffield, Personnel Manager

Issue # 6

Annual Employee Performance Evaluations

According to Procedure XI of the Brevard County’s Merit System Policies and Procedures Manuals:

“Employees shall receive an annual performance evaluation, which shall become a permanent part of the employee’s official personnel file.”

“The performance evaluation may also be used for but is not limited to:

- estimating an employee’s potential for promotion
- identifying areas of training needs,
- the determination of merit increases,
- a basis for taking disciplinary actions, or
- determining orders of layoff.”

According to Procedure II of the Merit System Procedures:

“The amount of any merit pay awarded shall be based on each employee’s performance evaluation and shall not exceed the limits prescribed by the Board of County Commissioners for the fiscal year.”

During our sample testing we noted the following with respect to annual employee evaluations:

- ❑ Two employees hired in 2000 had no evaluation in their file or rating in the system.
- ❑ One employee’s most recent evaluation was from 1997.
- ❑ Seven employees most recent evaluations were dated in 2000.

Impact

- ❑ Without annual evaluations, decisions related to promotions, disciplinary actions, and merit increases could be unsubstantiated.

Recommended Action

In order to help ensure that employees receive annual performance evaluations in accordance with County policy we recommend the County consider the following:

- ❑ A report be created that list all employees who have not received a current evaluation. The reports should be distributed to each department head.
- ❑ Establish a time-period in which exceptions will be routed to the next level of management.

Issue # 6	<i>Annual Employee Performance Evaluations- continued</i>
	<i>Management Response</i>
Response	During July 2002, the Office of Human Resources took a more active role in monitoring timeliness of Performance Evaluation reviews. Since that time, we have achieved an 88.5% compliance rate. Henceforth, the Office of Human Resources will report to Directors discrepancies that require corrective action on a quarterly basis. Any discrepancies that carry over to the next quarter will be reported to the Assistant County Manager for action. Any discrepancies that are carried over to the following quarter will be reported to the County Manager for action.
Time frame	Implemented
Person Responsible	Carol Sheffield, Personnel Manager

Issue # 7**Payroll Distribution**

During our testing of paycheck and remittance distribution, we noted that there is no policy or written procedure regarding the distribution of checks. All payroll checks and/or remittances are sorted in non-distinct departmental envelopes by County Finance. Some envelopes are picked up by department representatives at the County Finance office in Titusville, and others are couriered to the Viera mailroom, where they are either picked up by a department representative or sorted by a County contractor for delivery with the regular mail. This contractor implemented their own distribution procedures, including log sheets. Paychecks delivered by this contractor are not distinguished from regular mail, and are not signed for by the department upon delivery to the Department Representatives.

General procedures were explained during our observation of the distribution, however exceptions to that unwritten policy were noted throughout. For example:

- We observed an employee receive his check and/or remittance from County Finance on Thursday instead of Friday. The employee was not included on the “early distribution” list and the “required” written permission from his supervisor was not available at the time of observation.
- We reviewed previous distribution log sheets kept by the County contractor. We noted several departments which were not signed off for pickup.

Impact

- Without standard procedures or in the event of a change in County contractor, the lack of clearly defined delivery procedures could lead to possible discrepancies and improper delivery of paychecks, though none were noted during audit.

Recommended Action

We recommend the following:

- Develop and implement a standard written procedure related to payroll checks and/or remittance distribution.
- Require each department representative to sign for the batch they deliver to the department as well as those they receive from the contracted courier.
- Maintain a roster of designated representatives and at least one alternate, and require contracted courier to make positive identification before envelopes change hands.
- Paychecks and remittances be handled separately from the regular mail.

<i>Issue # 7</i>	<i>Payroll Distribution-continued</i>
	<i>Management Response</i>
Response	County Finance will develop a written procedure.
Time frame	December 2002
Person Responsible	Cynthia Colman, Payroll Supervisor

Issue # 8	Manual System Overrides
	<p>During our audit, we noted instances of manual overrides or manual processes being utilized. The only department this should occur in is Public Safety due to the nature of its workforce. Some specific examples are as follows:</p> <ul style="list-style-type: none"> ❑ SAP automatically calculates overtime pay on any hours over 40. Timekeepers should not use the “OT” code when inputting time. One department in our sample routinely utilizes the “OT” code to manipulate the outcome of total time worked by their staff, instead of utilizing the systems controls and changing the pre-set work schedule to accommodate additional hours. ❑ Merit increases are calculated by downloading the payroll database into a spreadsheet program. Once the new calculations are made, they are then uploaded back into SAP. The manual calculations are not verified by various departments after County Finance completes the upload. <p>Impact</p> <ul style="list-style-type: none"> ❑ Allowing manual overrides could lead to errors or irregularities. ❑ The use of a system outside of SAP increases the risk of errors. <p>Recommended Action</p> <p>We recommend the following:</p> <ul style="list-style-type: none"> ❑ Ensure that timekeeping procedures are specific and written. These procedures should prohibit overrides. ❑ Require system authorization for use of the “OT” code. ❑ Review further utilization of SAP to calculate merit increases in order to eliminate the spreadsheet calculation process.
Management Response	
Response	<p>We will include a procedure in the manual that is being prepared for timekeepers which explains that manual entry of the OT code is prohibited except for those employees in Public Safety who are covered under the FLSA 7k rule. Under this rule, employees who work shifts of 24 hours on, 48 hours off do not receive OT until they have worked more than 56 hours. Our version of SAP is configured for OT to be calculated after 40 hours and cannot be configured to calculate OT under the FLSA 7k rule.</p>
Time frame	January 2003
Person Responsible	Carol Sheffield, Personnel Manager

<i>Additional Comment</i>	<i>Direct Deposit</i>
	<p>During our audit, we noted that approximately 2/3 of the County employees utilize direct deposit of payroll. The remaining employees receive manual paychecks. These paychecks print separately from their respective remittance stub, which requires a manual process of matching the paycheck with the remittance stub and ‘envelope-stuffing’. The matching process is performed by County Finance.</p> <p><i>Impact</i></p> <ul style="list-style-type: none"> ❑ Misplaced checks increase overall payroll processing expenditures, caused by bank fees and research time, and could result in duplicate paychecks. ❑ The process of matching checks with remittance stubs and stuffing them into envelopes lends itself to human error and adds significant time to the payroll process. <p><i>Recommended Action</i></p> <p>We recommend the County consider requiring its employees to use direct deposit for payroll purposes. The benefits of this policy would include:</p> <p><u>County</u></p> <ol style="list-style-type: none"> 1) Save time and money by eliminating the manual ‘match and stuff’ process. 2) Reduce costs associated with printing checks, e.g., pre-printed laser paper. 3) Reduce irregularities and human error. <p><u>Employee</u></p> <ol style="list-style-type: none"> 1) Most financial institutions waive monthly service fees on accounts with direct deposit. 2) Deposits would be timely and readily available. <p>Seasonal and/or temporary employees would be exempt from this policy. Examples of other local governmental agencies that have implemented mandatory direct deposit include the State of Florida, Volusia County and the School Board of Brevard County.</p>
	<i>Management Response</i>
Response	Direct deposit may be a hardship for some employees. Direct Deposit and payroll checks are options currently provided to Board employees. This would be a policy decision for the Board. The Office of Human Resources recommends that the option for a payroll check be continued.
Time frame	N/A
Person Responsible	N/A

Appendix A