

**Summit County Fiscal Office  
Payroll Audit Follow up  
Preliminary Report**

**Prepared For:  
The Honorable John Donofrio**

**APPROVED BY AUDIT COMMITTEE  
MARCH 26, 2009**

**Summit County  
Internal Audit Department  
175 South Main Street  
Akron, Ohio 44308**

*Bernard F. Zaucha, Director  
Lisa L. Skapura, Assistant Director  
Anthony Boston, Internal Auditor  
Meredith Merry, Internal Auditor  
Benjamin Franjesevic, Internal Auditor*

**Summit County Fiscal Office  
Countywide Payroll  
Follow up Audit**

**Auditor:**

Lisa Skapura, Assistant Director; Anthony Boston, Internal Auditor; Meredith Merry, Internal Auditor; Benjamin Franjesevic, Internal Auditor.

**Objective:**

To determine if management has implemented their corrective management action plans as stated in response to the previously issued Preliminary Audit report.

**Scope:**

An overview and evaluation of policies, processes, and procedures implemented by the department/agency as a result of management actions stated in the management action plans during the Preliminary Audit process.

**Testing Procedures:**

The following were the major audit steps performed:

1. Review the final preliminary audit reports to gain an understanding of IAD issues, recommendations, and subsequent management action plans completed by the audited department/agency.
2. Review the work papers from the Preliminary Audit.
3. Review any departmental/agency response documentation provided to IAD with management action plan responses following the Preliminary Audit.
4. Identify management actions through discussions/interviews with appropriate departmental personnel to gain an understanding of the updates/actions taken .
5. Review applicable support to evaluate management actions.
6. Determine implementation status of management action plans.
7. Complete the follow-up report noting status of previously noted management actions.

**Summary**

Of the nineteen issues and corresponding management action plans made in the Preliminary Audit Report, the Summit County Fiscal Office implemented nineteen management action plans. Additionally, three recommendations were implemented.

Based on the above noted information, IAD believes that the Summit County Fiscal Office has made a positive effort towards implementing the management action plans as stated in response to the issues identified in the preliminary audit.

**Summit County Fiscal Office  
Countywide Payroll Follow-up Audit  
Comments**

The Internal Audit Department (IAD) conducted a Follow-up Audit of the Summit County Fiscal Office Payroll function. The original Countywide Payroll Audit was approved by the Summit County Audit Committee on September 20, 2007.

The accompanying comments to the Preliminary Audit issues present an overall summary of the status of the corresponding management action plans.

Listed below are the issues/recommendations and their status as noted in the Preliminary Report. Each issue number is in reference to the report:

**Management Action Plans Fully Implemented:**

*Note: This follow-up audit only encompasses the issues as they relate to the County of Summit Fiscal Office Payroll Department Policy and Procedure manual, obtained on 9/10/08, due to the fact that, prior to the end of fieldwork, corrective action for all issues had been taken as noted in the Preliminary Audit Report approved by the Audit Committee on 9/20/07.*

- 1) **Issue** – Upon review of several payroll functions performed by the Fiscal Payroll Office and departmental payroll coordinators, several areas existed where there were no formal written policies and procedures.

*Through review of the revised County of Summit Fiscal Office Payroll Department Policy and Procedure Manual, IAD noted that formal policies and procedures had been created for the payroll functions that had been previously lacking them.*

- 2) **Issue** - Upon review of a listing of all deduction codes and their priority code, it was noted that priority codes for student loans in the Banner software application do not have the correct priority order. Seventeen deduction codes for student loans had a priority before child support orders.

*Through review of the revised County of Summit Fiscal Office Payroll Department Policy and Procedure Manual, IAD noted that Chapter 4 addresses garnishments and the priority in which they are withheld.*

- 3) **Issue** - IAD was unable to locate garnishment procedures in the Payroll Policies & Procedures, except for how to create a garnishment voucher. Therefore, the Fiscal Office is unable to ensure that garnishments are being processed in accordance with federal and state laws, as well as the objectives of the Fiscal Office.

*Through review of the revised County of Summit Fiscal Office Payroll Department Policy and Procedure Manual, IAD noted that Chapter 4 addresses garnishments and the maximum amounts that are to be withheld.*

- 4) **Issue** - There do not appear to be controls in place within Banner to ensure that withholding amounts for child support orders do not exceed 60% of disposable earnings for a person not supporting another family and 50% for a person supporting another spouse or child plus an additional 5% on each limit if there are arrearages over 12 weeks old.

*Through review of the revised County of Summit Fiscal Office Payroll Department Policy and Procedure Manual, IAD noted that Chapter 4 addresses garnishments. Additionally, IAD noted that Chapter 10 contains procedures for inputting garnishments into Banner.*

- 5) **Issue** - The Fiscal Office is not withholding the correct amount of funds from wages that have creditor garnishments (municipal court garnishments) because they are not calculating disposable income accurately. Therefore, creditors are not receiving the correct amount of funds owed per pay period in accordance with the garnishment order.

*Through review of the revised County of Summit Fiscal Office Payroll Department Policy and Procedure Manual, IAD noted that Chapter 4 addresses garnishments and how to correctly compute disposable income.*

- 6) **Issue** - IAD was unable to determine if the Fiscal Office is sending the Order and Notice of Garnishment and Answer of Employer within five business days, Interim Report and Answer of Garnishee and the Final Report and Answer of Garnishee to the issuing court in accordance with the O.R.C. §2716.

*Through review of the revised County of Summit Fiscal Office Payroll Department Policy and Procedure Manual, IAD noted that Chapter 9 addresses record retention policy regarding garnishments and withholding orders.*

- 7) **Issue** - The Fiscal Office is not notifying the Child Support Enforcement Agency when a lump sum payment is made to an employee or holding the funds as required by O.R.C. §3121. A process for notification was not identified in the Payroll Policies and Procedures Manual or in the narrative on the garnishment process that was provided by the Deputy Fiscal Officer of Finance.

*Through review of the revised County of Summit Fiscal Office Payroll Department Policy and Procedure Manual, IAD noted that Chapter 4 addresses garnishments and lump sum payment procedures.*

- 8) **Issue** - IAD was unable to locate internal procedures regarding the calculation and taxation of a vehicle as a fringe benefit in the Payroll Policies & Procedures. Furthermore, the Fiscal Office Payroll Department does not provide payroll coordinators policies and procedures regarding this issue.

*Through review of the revised County of Summit Fiscal Office Payroll Department Policy and Procedure Manual, IAD noted that Chapter 3 addresses the calculation and taxation of a vehicle as a fringe benefit.*

- 9) **Issue** - There is currently no procedure in place for the Fiscal Office to obtain important information regarding the taxation of vehicle fringe benefits i.e., the date of vehicle purchase, date of assignment/transfer to an employee, and vehicle purchase price.

*Through review of the revised County of Summit Fiscal Office Payroll Department Policy and Procedure Manual, IAD noted that Chapter 3 addresses the calculation and taxation of a vehicle as a fringe benefit.*

- 10) **Issue** - Upon review of the Vehicle Designation listing, IAD noted that several employees were being incorrectly taxed regarding vehicle usage.

*Through review of the revised County of Summit Fiscal Office Payroll Department Policy and Procedure Manual, IAD noted that Chapter 3 addresses the calculation and taxation of a vehicle as a fringe benefit.*

- 11) **Issue** - The Fiscal Office Payroll department is permitting payroll clerks to only account for the use of a vehicle by assuming one round trip. Therefore, the County is not properly including amounts that should be added into the employees' income for taxation.

*Through review of the revised County of Summit Fiscal Office Payroll Department Policy and Procedure Manual, IAD noted that Chapter 3 addresses the calculation and taxation of a vehicle as a fringe benefit by means of the commuting rule.*

- 12) **Issue** - The Fiscal Office Payroll Department is not accurately deducting funds for employees who use the cents per mile method.

*Through review of the revised County of Summit Fiscal Office Payroll Department Policy and Procedure Manual, IAD noted that Chapter 3 addresses the calculation and taxation of a vehicle as a fringe benefit by means of the cents-per-mile rule.*

- 13) **Issue** - Upon review of the Payroll Policies & Procedures and discussion with the Deputy Fiscal Officer of Finance, there were no policies or procedures regarding the process and responsibility for collecting and maintaining W-4 and IT-4 information.

*Through review of the revised County of Summit Fiscal Office Payroll Department Policy and Procedure Manual, IAD noted that Chapter 1 addresses the maintenance of W-4 forms as well as other withholding and deduction documents. Additionally, Chapter 9 addresses record retention policy for W-4 forms as well as numerous other documents.*

- 14) **Issue** - Upon testing, IAD noted that W-4 and IT-4 forms were misfiled, not provided to the Fiscal Payroll Office by the employee's department, or were misplaced. This indicated a lack of formal policies and procedures for collecting and maintaining these forms.

*Through review of the revised County of Summit Fiscal Office Payroll Department Policy and Procedure Manual, IAD noted that Chapter 1 addresses the maintenance of W-4 forms as well as other withholding and deduction documents. Additionally, Chapter 9 addresses record retention policy for W-4 forms as well as numerous other documents.*

- 15) **Issue** - Upon review of the Payroll Policies & Procedures, there were no formal policies and procedures documenting the Fiscal Office's process of submitting and verifying employee social security numbers (SSN) with the Social Security Administration (SSA).

*Through review of the revised County of Summit Fiscal Office Payroll Department Policy and Procedure Manual, IAD noted that Chapter 5 addresses the submittal of SSNs to the SSA.*

- 16) **Issue** - One of two hundred and eight employees whose social security number (SSN) failed verification with the Social Security Administration (SSA) in a file submitted by IAD was entered incorrectly into Banner.

*Through review of the revised County of Summit Fiscal Office Payroll Department Policy and Procedure Manual, IAD noted that Chapter 5 addresses the submittal of SSNs to the SSA.*

- 17) **Issue** - IAD noted that there was a lack of internal controls over the Kronos "reset" feature, which allows a user with access to make adjustments to employee accrual balances.

*Through review of the revised County of Summit Fiscal Office Payroll Department Policy and Procedure Manual, IAD noted that Chapter 11 addresses Kronos resets.*

- 18) **Issue** - There were no policies and procedures for retroactive adjustments located in the Payroll Policies & Procedures.

*Through review of the revised County of Summit Fiscal Office Payroll Department Policy and Procedure Manual, IAD was unable to locate a policy or procedure regarding retroactive adjustments. Per the Deputy Fiscal Officer of Finance on 12/4/08, when payroll data is processed, the retroactive adjustment pay code is processed in the same manner as all other pay codes and that no special handling is required; therefore, it is not included in the internal manual.*

- 19) **Issue** - IAD noted that the policies and procedures for the Fiscal Payroll Department did not include procedures for unemployment compensation.

*Through review of the revised County of Summit Fiscal Office Payroll Department Policy and Procedure Manual, IAD noted that Chapter 9 addresses the retention of records required for unemployment compensation.*

#### **Recommendations Fully Implemented**

- **Kronos Training** - Because all County departments (with the exception of the County of Summit Board of Mental Retardation and Developmental Disabilities) have been utilizing Kronos for approximately 3-4 years, it may be beneficial to conduct a refresher course for all current Kronos users as well as new payroll coordinators who may have been hired in the past three years. This would ensure that everyone is utilizing the system correctly and is familiar with its reporting capabilities

*The Deputy Fiscal Officer of Finance informed IAD that a meeting for all payroll clerks was held on August 28, 2007 and a Kronos Handbook for Managers was disbursed at this meeting to each payroll clerk*

- **Centralized Payroll Function** - IAD recommends that the payroll functions be centralized throughout the County i.e., all information entered into the Banner Payroll System should be entered in by the Fiscal Payroll Department. Additionally, the Fiscal Payroll Department should establish a formal policy and procedure requiring that all documentation completed by the individual Departments, Boards, Agencies, and Commissions and submitted to the Payroll Department for entry into Banner, contain authorization by the payroll coordinators as well as management.

*Through review of the revised County of Summit Fiscal Office Payroll Department Policy and Procedure Manual, IAD noted that Chapter 1 addresses the Payroll Department's responsibilities and centralization procedures such as W-4 and other deduction records being maintained by the Payroll Department. Additionally, IAD noted that Chapters 10 through 12 address the entry of employee data into Banner/Kronos.*

- **Hospital Waivers** - IAD recommends that the ability for a control to be implemented preventing a hospital waiver entered more than once per month should be investigated.

*IAD met with the Deputy Fiscal Officer of Finance and was shown the reports that are provided to the independent payroll coordinators by the Computer System Software Analyst III. Additionally, the IAD Senior Administrator showed IAD the reports she receives bi-weekly. IAD confirmed one of the reports contained the IAD hospital waivers.*