

**Summit County Executive's Office**  
*Human Resource Department*  
*Payroll Transition Audit*  
**Performance Audit General Report**

**Prepared for:**

**Ilene Shapiro**  
**Audit Committee**

**Final Report**  
**September 19, 2023**



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**Summit County Executive's Office**  
*Human Resource Department*  
*Payroll Transition Audit*  
**Performance Audit General Report**

**Table of Contents**

EXECUTIVE SUMMARY ..... 3

GENERAL BACKGROUND..... 4

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY ..... 4

DETAILED COMMENTS ..... 5

**Summit County Executive's Office**  
*Human Resource Department*  
*Payroll Transition Audit*  
**Performance Audit General Report**

**EXECUTIVE SUMMARY**

**Total Number of Issues – 2**

**Policies and Procedures**

<b>Section</b>	<b># Issues</b>	<b>Issue Descriptions</b>	<b>Page Ref.</b>
Policies and Procedures	1	<ul style="list-style-type: none"> <li>• No policies and procedures regarding retroactive pay and payroll changes.</li> </ul>	5

**Internal Controls**

*Strong Internal Controls:*

<b>Testing Section</b>	<b># Issues</b>	<b>Issue Description</b>	<b>Page Ref.</b>
Retroactive Pay	0	N/A	6

*Weaknesses in Internal Controls:*

<b>Testing Section</b>	<b># Issues</b>	<b>Issue Descriptions</b>	<b>Page Ref.</b>
Payroll Changes	1	<ul style="list-style-type: none"> <li>• Instances where the incorrect pay rate was applied to the employee resulting in an overpayment.</li> </ul>	5

**Summit County Executive Office**  
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*Payroll Transition Audit*  
**Performance Audit General Report**

**GENERAL BACKGROUND**

The Executive Office’s Human Resource Department (HRD) performs a variety of functions that include the overall administration of the Executive’s Office human resources operations for all employees. One of the functions includes payroll administration for Executive Office employees. The audit was performed due to the retirement of an employee responsible for the payroll and payroll adjustment functions.

**AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY**

The primary focus of this review was to provide the HRD with reasonable assurance, based on the testing performed, on the adequacy of the system of management control currently in effect for the audit areas.

Management controls include the processes for planning, organizing, directing, and controlling program operations, including systems for measuring, reporting, and monitoring performance. Management is responsible for establishing and maintaining effective controls that, in general, include the plan of organization, as well as methods and procedures to ensure that goals are met. Specific audit objectives include evaluating the policies, procedures, and internal controls related to the HRD.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Based on the results of our review, we prepared specific issues and recommendations for improvement that were discussed with management. These recommendations, as well as management’s unaltered written response, can be found in the following sections of this report.

**Objectives:**

- To obtain and review the current policies and procedures.
- To review the internal control structure over payroll changes and retroactive pay through employee interviews and observations.

**Scope:**

An overview and evaluation of the existing policies, processes, procedures, contracts and internal control structure utilized by the HRD Payroll from August 1, 2022 through May 4, 2023.

The following were the major audit steps performed:

**OBJECTIVE 1 – POLICY AND PROCEDURES REVIEW**

1. Obtain and review the current policies and procedures.
2. Meet with the appropriate personnel to obtain an understanding of the current department processes and procedures. Compare those existing processes to the policies and procedures manual for consistency, noting all exceptions.
3. Obtain and review the document retention policy and determine if policies and procedures are currently in place and being followed.

**Summit County Executive's Office**  
*Human Resource Department*  
*Payroll Transition Audit*  
**Performance Audit General Report**

4. Test procedures for mandatory compliance where applicable.
5. Identify audit issues and make recommendations where appropriate.

**OBJECTIVE 2 – REVIEW OF PAYROLL CHANGES AND RETROACTIVE PAY INTERNAL CONTROLS**

1. Meet with the appropriate personnel to obtain an understanding of the control environment.
2. Document the existing control procedures in narratives and/or flowcharts.
3. Compare existing processes to the policies and procedures manual for consistency.
4. Test procedures for compliance where applicable, noting all exceptions.
5. Investigate discrepancies and summarize results.
6. Make recommendations where appropriate.

**DETAILED COMMENTS**

**I. Policy and Procedures Review:**

Policies and procedures related to payroll changes and retroactive pay adjustments were obtained and reviewed for accuracy and completeness and compared to current processes for consistency. Additionally, an interview was conducted to gain an understanding over the payroll changes and retroactive pay processes.

The following issue was noted:

1. Issue:

Upon discussion with Human Resources Department personnel, IAD noted there are no policies and procedures surrounding payroll changes and retroactive pay adjustments handled by the HRD.

Recommendation:

IAD recommends a policy regarding retroactive and payroll changes pay be created, approved and disseminated for all functional areas within the agency. This will help to ensure that proper procedures are in place and consistently followed within the department.

Management Action Plan:

Any policy regarding payroll changes is set forth in the Codified Ordinances – specifically Cod. Ords. 169.07-169.11. HRD will establish a procedure, compliant with the ordinances and appropriate to Munis, for making prospective payroll changes and will include a requirement that proper documentation be received by HRD to support the change (e.g., CBA, Resolution, or other promotion/demotion/discipline).

A procedure will also be established for retroactive changes that includes proper documentation for the change, and verification of the calculation of the retroactive amount by the department making the request for retro pay.

Ultimately, supporting documentation for payroll changes will be uploaded into Munis in support of the change.

Target Date: 12/31/23

**Summit County Executive Office**  
*Human Resource Department (HRD)*  
*Payroll Transition Audit*  
**Performance Audit General Report**

**II. Internal Control Testing:**

**PAYROLL CHANGES**

A sample of payroll changes completed during the audit period was selected and reviewed to ensure the rate of pay in banner agreed to the payroll form submitted to the Fiscal Office. Additionally, IAD compared the payroll change to supporting documentation (union agreement, legislation, memorandum of understanding, etc.), when applicable, to ensure the payroll change was accurate.

The following issue was noted:

2. Issue:

Upon detail testing of payroll changes that occurred from 8/1/22 through 5/4/23, IAD noted two (2) instances where the incorrect pay rate was applied to the employee, totaling \$546.15 and \$593.53 in overpayments, respectively.

Recommendation:

IAD recommends the HRD personnel obtain supporting documentation (e.g., union agreement, legislation, memorandum of understanding, etc.) prior to the payroll rate adjustment to support the payroll change. Additionally, IAD recommends the HRD determine the total overpayment and collect the amounts due from the employees. This will help to ensure employees are paid correctly.

Management Action Plan:

HRD will establish a procedure, appropriate to Munis, to ensure that documentation supporting any payroll change is uploaded into Munis prior to the change being implemented. Additionally, for across the board adjustments (e.g., annual COLAs from Council or whole class wage adjustments from CBAs) a procedure will be established to verify that changes were entered correctly.

When an overpayment is detected, the policy regarding repayment agreements will apply.

Target Date: 12/31/23

**RETROACTIVE PAY**

A sample of employees who received a retroactive pay adjustment during the audit period was selected and IAD recalculated the adjustments to ensure it was accurate.

No issues were noted.