

**County of Summit
Developmental Disabilities Board
Payroll Follow-up Audit Report**

PREPARED FOR:

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**Approved by Audit Committee
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Background, Objectives and Scope**

GENERAL BACKGROUND

During the follow-up of the Countywide Payroll audit, performed in 2008, it was brought to the attention of IAD that the Summit County Developmental Disabilities Board (SCDD) had purchased and was going to implement a stand alone copy of the Kronos Workforce Central timekeeping system (Kronos). IAD passed on testing the controls of the current system at that time because the process was changing, and agreed to perform a review of controls after implementation of the new system. The following are the results of the review.

OBJECTIVES

1. To obtain and review the current policies and procedures.
2. To review the internal control structure through employee interviews, observation and testing of the Kronos system.
3. Make recommendations on the new procedures, where applicable.

SCOPE

An overview and evaluation of the existing policies, processes, procedures, and internal control structure of the Kronos timekeeping system utilized by the agency for January 1, 2009 through February 5, 2010.

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Detailed Comments**

Interviews:

IAD met with the Payroll Supervisor and conducted an interview to gain an understanding of the payroll function in regards to the Kronos Timekeeping system that the agency began utilizing in approximately February 2009. IAD obtained and reviewed a Bi-weekly Pay Schedule for both 2009 and 2010 to determine pay period beginning and ending dates, and judgmentally selected the following pay periods for detailed testing of the internal controls for Kronos:

- a. Pay Period 15 in 2009 (7/6/09-7/19/09),
- b. Pay Period 26 in 2009 (12/7/09-12/20/09),
- c. Pay Period 3 in 2010 (1/18/10-1/31/10).

IAD met with the Payroll Supervisor, Staffing Coordinator, and HR & Payroll Manager, to gain an understanding of the payroll process flow from the point employee time is entered into Kronos through to the Kronos file upload to the County. The process was documented in a flowchart.

IAD contacted the Paralegal in the County Department of Law responsible for records retention to determine whether or not original payroll documents must be retained if the Payroll Department had already received faxed copies of the same documents. The faxed copies are used to record notations and changes, if applicable, making them working documents. There was no definitive answer provided, therefore IAD recommended that the originals be maintained.

The following issue was noted:

1. Issue:

Upon discussions with the Payroll Supervisor, it was noted that the Payroll Department Policies and Procedures Manual was not updated to include the new processes, policies and procedures for the Kronos timekeeping system.

Recommendation:

IAD recommends that County of Summit Developmental Disabilities Board update and disseminate policies and procedures to include the new processes, policies and procedures for the Kronos timekeeping system. This will help to ensure that the payroll procedures are formally documented and can be consistently followed.

Management Action Plan:

The Payroll Supervisor and Account Clerk II will update the County of Summit DD Board Payroll Department Policies and Procedures Manual to include Kronos timekeeping system by March 26, 2010 for review by the HR/Payroll Manager. The Manual will be completed by March 31, 2010 for use in the County of Summit DD Board Payroll Department.

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Kronos Access Levels:

IAD obtained and reviewed a Kronos Employee List report which lists all Kronos users and their respective Kronos Access Profiles. IAD filtered the listing in Microsoft Excel to show only Kronos users with profiles other than Default. The Default user group only provides basic access for either swiping or manually entering of time into Kronos, therefore IAD deems this as low risk and passed on further testing.

IAD obtained and reviewed Kronos Function Access Profile reports, which defines allowed and disallowed processes for each level of access. The reports were reviewed to determine if the allowed accesses within each profile group appeared reasonable. IAD compared all employees assigned with profiles other than the Default profile, and reviewed access levels for reasonableness. See issue 2 below.

IAD generated and reviewed Kronos Timecard Signoff/Approval Audit Trail reports for the three pay periods selected for detailed testing (as noted in the Interviews section) to ensure that there were sufficient levels of timecard approval as well as a proper segregation of duties. No issues were noted.

2. Issue:

Upon review of the detail Function Access Profile reports generated utilizing the Kronos timekeeping system, IAD noted that 5 out of 7 profiles tested allowed employee access to perform tasks that were deemed unreasonable for the respective employee positions.

Recommendation:

IAD recommends that the Kronos Function Access Profiles be reviewed and updated to restrict functionality deemed inappropriate and unreasonable for employee positions held. This will help to ensure that payroll changes can not be made by personnel that are not authorized to make changes.

Prior to the end of fieldwork:

Prior to the end of fieldwork the HR/Payroll Manager and the Staffing Coordinator reviewed and made appropriate changes to access levels within the different Kronos Function Access Profiles. IAD traced and agreed the changes on the updated reports effectively clearing all profiles except one, which will be reviewed at the time of the next follow-up.

Management Action Plan:

Prior to the end of fieldwork the HR/Payroll Manager and the Staffing Coordinator reviewed and made appropriate changes to access levels within the different Kronos Function Access Profiles clearing all profiles except one, the MRDD Super Access No Sign Off. This profile will be discontinued and replaced with separate profiles for the HR/Payroll Manager and Staffing Coordinator, deleting payroll edit controls from the Staffing Coordinator and giving view only access for programming functions to the HR/Payroll Manager. This will be accomplished by March 15, 2010.

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Leave Time Approvals:

IAD generated Kronos Employee Transactions and Totals reports for the three pay periods selected for detailed testing (as noted in the Interviews section), and judgmentally selected instances of leave from each respective pay period and tested for the following:

- a. Proper approval,
- b. Time per the leave form agreed to the time taken per Kronos,
- c. Time taken per Kronos agreed to the time taken per Banner.

The following issue was noted during testing:

3. Issue:

Upon detailed testing of employee leave time per the Kronos timekeeping system to each respective employee leave form, IAD noted the following exceptions.

- a. There were 2 out of 48 instances where there was no leave form present,
- b. There were 2 out of 48 instances where the leave was not authorized by the employee,
- c. There was 1 out of 48 instances where the type of leave taken Kronos did not agree to the type of leave taken per the employee's leave form,
- d. There were 2 out of 48 instances where the amount of leave taken per Kronos did not agree to amount of leave taken per the employee's leave form.

Recommendation:

IAD recommends that supervisors properly authorize and document all leave time taken and trace and agree leave forms to timecards. This will help to ensure that employees are paid correctly and that the respective accrual balances are correct.

Management Action Plan:

The Payroll Department now has a procedure in place to insure supervisors properly authorize and document all leave taken. After each payroll period is completed, the Payroll Supervisor and Account Clerk II will run the Accrual Debit Activity Summary Report and verify all leave types and amounts agree with leave forms. Any missing leave forms will be collected prior to the beginning of the following pay period. Historical edits will be made as necessary and documented accordingly. This procedure has been initiated and will be documented in the revised County of Summit DD Board Payroll Department Policies and Procedures Manual by March 31, 2010. The County of Summit DD Board has initiated plans to automate the leave process with Kronos Attendance and Leave Management. This new process will be in place prior to the end of 2010 and will eliminate the need for manual verification of leave authorization.

Historical Edits:

IAD generated Kronos Timecard Audit Trail reports for the three pay periods selected for detailed testing (as noted in the Interviews section), and traced and agreed all historical edits in those pay periods to the supporting documentation to confirm accuracy and verified proper authorized. No issues were noted during testing.

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Retroactive Pays (Retros):

IAD generated Kronos Time Detail reports for the three pay periods selected for detailed testing (as noted in the Interviews section), and traced and agreed all retros to the respective amounts on the supporting documentation and verified that they were properly authorized. No issues were noted during testing.

Accrual Resets:

IAD generated Kronos Accrual Detail reports for the three pay periods selected for detailed testing (as noted in the Interviews section), and traced and agreed all resets for those pay periods to their respective supporting documentation to verify that the amounts agreed and were properly authorized.

The following issue was noted during testing:

4. Issue:

Upon detailed testing of accrual resets for the three pay periods selected, it was noted that 15 out of 90 employees tested had incorrect reset amounts in one or more of the personal, vacation or sick time categories, and all errors occurred in the same pay period.

Recommendation:

IAD recommends that the Payroll Department perform a detailed review of all employees that had errors, and make the appropriate changes in Kronos. This will help to ensure that employees have correct accrual amounts for time earned.

Management Action Plan:

The Payroll Supervisor and Account Clerk II have begun a detailed review of all employees that had errors and making appropriate changes in Kronos and documenting accordingly. This will be completed by March 15, 2010.