Summit County Fiscal Office
Auditor Division;
Payroll Department
Preliminary Audit Report

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PREPARED FOR:
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General Background

"On November 6, 2001, Summit County voters approved a charter amendment that consolidated the elective office of County Auditor with that of County Treasurer. The consolidation was effective June 17, 2002. Effective upon the consolidation of the Office of County Auditor with the Office of County Treasurer, the County Auditor's powers and duties, including the powers and duties of the previously consolidated Office of County Records, were transferred to the County Treasurer, which was renamed County Fiscal Officer" (*Chapter 134: Fiscal Officer, from the Summit County Codified Ordinances)*. The Summit County Fiscal Payroll Office falls under the Fiscal Officer.

The overall County payroll process is decentralized; however, the Fiscal Payroll Office operates as the central processor of payroll information submitted by all County departments, Boards, Agencies, and Commissions. In 1997, Summit County implemented the Banner Human Resource System (Banner), for the inputting and processing of all payroll calculations, deductions, adjustments, history, and tax administration, etc. In 2002, Summit County purchased Kronos Workforce Central (Kronos), an automated time and attendance software package from CTR Systems, to automate and streamline the functions of time and leave entry management.

Source: www.co.summit.oh.us/fiscaloffice/index.htm

AUDIT OBJECTIVES AND METHODOLOGY

The primary focus of this review was to provide the Summit County Fiscal Office Auditor Division; Payroll Department (Payroll Department) with reasonable assurance, based on the testing performed, on the adequacy of the system of management control in effect for the audit areas tested for the year ended December 31, 2008 and the seven months ended July 2009, unless otherwise specified in the individual test area. 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 Payroll Department.

Our review was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States and accordingly included such tests of records and other auditing procedures as we considered necessary under the circumstances. Our procedures include interviewing staff, reviewing procedures and other information and testing internal controls as needed to assess compliance with policies and procedures.

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.

Specific Objectives:

1. To obtain and review the current policies and procedures.

2. To review the internal control structure through employee interviews and observation.

3. To perform a general overview of the physical environment and security of the facilities, data, records and departmental personnel.

Scope

An overview and evaluation of the existing policies, processes, procedures, contracts and internal control structure utilized by each department.

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

OBJECTIVE 2 – REVIEW OF INTERNAL CONTROLS

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

OBJECTIVE 3 – REVIEW OF SECURITY

11. Perform a general overview of the physical environment and security of the department/ agency being audited.
12. Interview various personnel to determine that confidential information is secure and processed only by appropriate parties.
13. Obtain and review the document retention policy and determine if policies and procedures are currently in place and being followed.
14. Test security issues where appropriate.
15. Analyze current policies and make recommendations.

Interviews:

To gain an understanding of the Payroll Department, IAD interviewed the Deputy Fiscal Officer. No issues were noted.

I. Policies & Procedures Review:

In 2007, IAD conducted a Countywide Payroll Audit, which included a review of the Fiscal Office Payroll Department Policy and Procedures manual and the Outside Agencies Payroll Policy and Procedures Manual, for which IAD conducted a Follow-up Audit in 2009 to address any issues identified during the Countywide Payroll Audit. The follow-up audit included a review of both updated policy and procedure manuals. IAD noted that all management action plans for the Payroll Department were fully implemented., therefore, IAD passes on further review of the Payroll Department Policy and Procedures manual and the Outside Agencies Payroll policy and procedure manual.

The Countywide Payroll Audit and Payroll Follow-up Audit are located on the IAD Shared Drive: *T:\Audits & Special Projects\06-Payroll.Countywide-40* and *T:\Follow-ups\2008 Payroll Follow-up*, respectively, as well as on the county website.

II. Internal Control Testing:

Internal control testing and/or observations were performed in the following areas:

- o Expenditures
- o Personnel files
- o Kronos system controls

EXPENDITURES

IAD obtained and reviewed the following documents to gain an understanding of the purchasing and expenditure functions within the Fiscal Office:

a. Fiscal Office Personnel Policy and Procedures Manual,
b. Fiscal Office Purchasing Department Operations Manual.

IAD obtained and reviewed Ohio Revised Code (O.R.C.) § 5705.41(D) (2), to gain an understanding of the requirements for the appropriation of money (http://codes.ohio.gov/O.R.C./5705.41). Additionally obtained and reviewed was Summit County Codified Ordinance § 177.23, "Purchases not Exceeding $1,000," to gain an understanding of any instances where a purchase order would not be needed.

IAD noted during the Fiscal Office Recorder Division Preliminary Audit that the Fiscal Office purchasing function is centralized and that the Fiscal Office Purchasing Agent makes purchases for all Fiscal Office Divisions and Departments. The Deputy Fiscal Officer of Finance was contacted to

confirm that the expenditure process flowcharts, approved by the Fiscal Officer Chief of Staff, on 4/23/09 reflect the current processes. IAD reviewed the expenditure process flowcharts.

IAD contacted the Deputy Fiscal Officer, Finance and was informed that all Payroll Department expenditures are co-mingled with other Fiscal Office departments/divisions and that total appropriations are shared by all with no specific funds set aside for each department. Therefore, IAD was not able to run a Banner report for expenditures specific to the Payroll Department.

Per discussions with Fiscal Office Purchasing Agent and the Director of Administration, IAD noted that the Payroll Department's responsibilities, with regard to purchasing, are limited to submitting the requisition form and receipting the goods and services. IAD recognizes that they are not responsible for requisitions/approval in Banner, placing the order, obtaining the purchase order, or approving the invoice(s) for payment. Therefore, IAD limited the testing to the requisition form signatures on behalf of the Payroll Department. Per the Purchasing Agent, there are only two vendors utilized by the Payroll Department. IAD reviewed all 2008 and 2009 requisitions for those vendors to locate Payroll Department requisition forms, and tested for proper approval.

No issues were noted during testing.

PERSONNEL FILES

IAD obtained and reviewed the Fiscal Office Personnel Policies and Procedures to gain an understanding of the policies and procedures for personnel files that are followed by the Payroll Department. IAD obtained and reviewed the Personnel Files interview conducted with the, Personnel Administrator 1, on 3/12/09 during the Fiscal Office Recorder Division Preliminary Audit, to gain a further understanding of procedures followed regarding personnel files. Because the Fiscal Office has a centralized personnel function, and processes and procedures are similar for all Fiscal Office Divisions/Departments, the only forms relating to personnel files that the Payroll Department is responsible for are departmental policy and procedure sign offs. All of the FO Payroll Dept. employees (5) files were tested for Fiscal Office Payroll Policy and Procedure Manual sign-offs.

No issues were noted during testing.

KRONOS SYSTEM TESTING

IAD reviewed the 2006 Countywide Payroll audit as well as the 2008 Countywide Payroll Follow-up to gain an understanding of the policies, procedures, and controls in place regarding the Kronos Timekeeper application (Kronos). IAD was granted access to Kronos tables from the MIS Relational Database Administrator 3 to review the security and internal control configuration that is currently in place. An interview was conducted, utilizing an internal control questionnaire, with the Fiscal Office Deputy Fiscal Officer.

Utilizing Microsoft Access to access the Kronos tables, IAD generated a listing of employees with more than 80 hours in a single pay period in 2009 (excluding overtime pay codes). All exceptions were selected (90 instances) where the employee's hours in a pay period exceeded 80 by at least 40 hours and randomly selected an additional 100 instances where an employee's hours exceeded 80

hours in a pay period for a sample of 190. IAD tested employees with hours exceeding 80 for reasons other than overtime worked, compensatory time earned, shift differentials, and historical pay code edits as well as to determine whether the employee's time appeared reasonable.

Utilizing Kronos tables, IAD generated listings of employees with supervisor signoff for 2009 pay periods 11 and 18. IAD then generated listings of employees with supervisor approval for the same pay periods, and compared the sign-off listings to the approval listings to test for the presence of both supervisor approval and supervisor sign-off. In addition, authorization levels were tested for reasonableness.

Recommendation:

IAD recognizes that the formal assignment of authorizations is the responsibility of the individual departments. However, IAD recommends that the Fiscal Office Payroll Department make every effort to ensure that the individual department managers monitor assigned authorizations for a proper segregation of duties.

III. Security:

Security issues noted during fieldwork are addressed under separate cover in the accompanying report in compliance with Ohio Revised Code §149.433.