



PAT FRANK
Clerk of the Circuit Court
13th Judicial Circuit

COUNTY AUDIT

HILLSBOROUGH COUNTY, FLORIDA

PEOPLE TO PAYCHECK CYCLE

REPORT # 299

DECEMBER 17, 2015



December 17, 2015

The Honorable Lesley "Les" Miller, Chairman
The Honorable Kevin Beckner
The Honorable Victor D. Crist
The Honorable Ken Hagan
The Honorable Al Higginbotham
The Honorable Sandra L. Murman
The Honorable Stacy R. White

Dear Chairman Miller and Commissioners:

The Audit Team performed an audit of the people to paycheck cycle (Audit Report # 299, December 17, 2015.)

The purpose of this Report is to furnish management independent, objective analysis, recommendations, counsel, and information concerning the activities reviewed. It is not an appraisal or rating of management.

Although the Audit Team exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud and/or employee abuse is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected.

The Audit Team appreciates the cooperation and professional courtesies extended to the auditors by the Directors and personnel of the Clerk of the Circuit Court's Human Resources and Payroll departments, the Civil Service Office, and the County's Enterprise Solutions & Quality Assurance, Fire Rescue, Human Resources, and Information Technology departments during this audit.

Sincerely,

Steve Hooper, CIA, CGAP, CCSA, CFE
Director of County Audit

CC: Mike Merrill, County Administrator
Bonnie Wise, Chief Financial Administrator
Eric Johnson, Director of Strategic Planning & Grants Management
Peggy Rowe, Director of Human Resources (County)
Kevin Brickey, Management & Budget Office
Dan Klein, Chief of Staff
Rick VanArsdall, Chief Deputy, Finance & Budget
Rachel Diny, Chief Deputy of Administration
Michael Haselton, Director, Payroll
Manny Mangual, Director of Human Resources (Clerk)

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EXECUTIVE SUMMARY

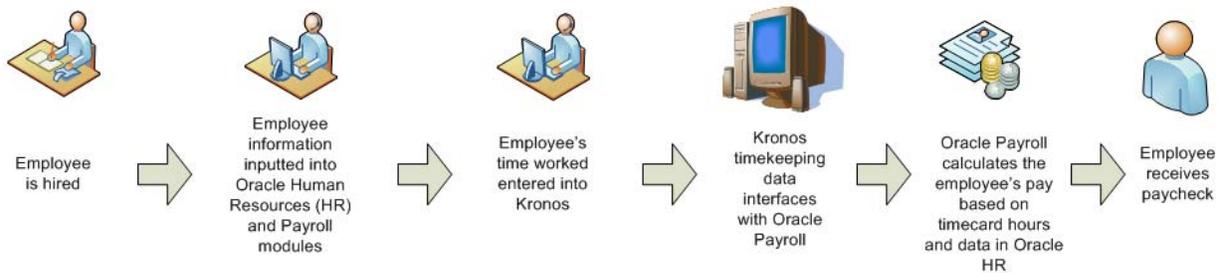
BACKGROUND INFORMATION

The implementation of the Oracle E-Business Suite (Oracle) included new processes for employee scheduling, time keeping, and payroll. These processes have inputs and outputs among several departments throughout the people to paycheck cycle. These include the Clerk of the Circuit Court’s Human Resources and Payroll Departments, and the County’s Human Resources Department.

Oracle interfaces with scheduling and time keeping solutions known as Telestaff and Kronos. Telestaff interfaces with Kronos and is used only by Fire Rescue for scheduling. Kronos is used for scheduling all other Board of County Commissioners (BOCC) employees and is used for time keeping by all BOCC and Clerk of the Circuit Court (COCC) departments.

Kronos time keeping data is interfaced with the Oracle payroll module for processing.

Typical People to Paycheck Cycle Diagram



OBJECTIVE

The objective of the audit was to determine the adequacy of the control environment for the people to paycheck cycle.

SCOPE

The audit was conducted in accordance with the *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that County Audit plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the audit comments and conclusions based on the audit objectives. County Audit believes that the evidence obtained provides this reasonable basis.

The scope of work included:

- Reviewing the Human resource and payroll records for
 - Departments and agencies under the direction of the BOCC.
 - Employees of the COCC.
- Interviewing managers and employees involved in the people to paycheck cycle.
- Reviewing guiding principles and legal requirements.
- Flowcharting the people to paycheck cycle to identify controls.
- Identifying salary and benefits via the personnel records in Oracle.
- Reconciling components of each employee's payslip, including:
 - recalculating gross earnings,
 - verifying applicable benefit deductions,
 - recalculating withholdings, and
 - verifying the net pay amount.

The scope of work did not include the following:

- Testing of approvals associated with the rate of pay;
- Testing of retroactive pay;
- Testing of payroll interface to Oracle general ledger and grants;
- Testing of historical corrections to pay, accruals, etc.;
- Testing of timeliness of maintenance to employees' master HR record (pay rates, effective dates, benefits, deductions, stipends, etc.);
- Testing the control over the printing and distribution of paper checks;
- Testing of policies regarding a "requirement" for direct deposit;
- Testing for efficiencies in the administration and payment of stipends.

The test period covered the payroll dates of June 28 through July 11, 2015, which corresponded to the employee payroll checks issued on July 17, 2015.

Scope Limitations:

1. The effectiveness of any identified information technology controls over the receipt, maintenance, or transmission of confidential information was not within the scope of this audit. The Office of the County Internal Auditor is in the process of acquiring services to perform a data and network security audit, which should include a review of these elements.
2. As a COCC department, the County Audit Department's personnel and payroll activities are processed through the people to paycheck cycle. During this audit, the former Director of County Audit also served as the Interim County Internal Auditor. To eliminate any actual or perceived bias, the

Audit Team excluded historical and current personnel of the County Audit Department and the Office of the County Internal Auditor from the population.

3. During this audit, Fire Rescue administration was implementing a new process to automate the tracking and monitoring of union leave usage. The 15-month (October 2015 – December 2016) audit plan for the Office of the County Internal Auditor includes an audit of union leave. Therefore, union leave tracking and monitoring was not included in the scope of this audit.

OVERALL EVALUATION

Knowledgeable and dedicated employees in the Civil Service Office, the County's Enterprise Solutions & Quality Assurance, Fire Rescue, and Human Resources departments, and the COCC Human Resources, Information Technology, and Payroll departments were responsive to the Audit Team's inquiries. When requested, information was provided in a prompt and courteous manner.

AUDIT COMMENT	CONCLUSION OF OBJECTIVE	PAGE
1	The control environment for the people to paycheck cycle is adequate and efficiently designed.	5
2	The people to paycheck cycle is working as designed.	6

OPINION

The control environment relative to the people to paycheck cycle is at the formal (defined) maturity level. Many controls have been defined and implemented. The control environment provides a reasonable level of assurance that:

- 1) employee personnel records are accurate and updated accordingly;
- 2) time-keeping records are monitored by management and are properly maintained by the employers;
- 3) employees pay is sufficiently supported by the time-keeping records; and
- 4) federal payroll taxes are paid timely.

Taking corrective action to address the control opportunity identified in this Report will enhance the people to paycheck control environment through increased accountability.

The exit conference was held on December 7, 2015.

Other minor concerns not included in this Report were communicated to management and/or corrected during fieldwork.

AUDITED BY

Steve Hooper, CIA, CGAP, CCSA, CFE, Director of County Audit
Peggy Caskey, CIA, CISA, CFE, former Director of County Audit
Mary Ann Kominsky, CIA, CISA, CPA, Audit Manager
Margaret Brown, CIA, Senior Auditor
Marc Hogan, Auditor II

AUDIT COMMENTS & RECOMMENDATIONS

AUDIT COMMENT 1

The control environment for the people to paycheck cycle is adequate and efficiently designed.

The objective was to assess the adequacy of the control environment over the people to paycheck cycle in an effort to determine whether or not:

- The electronic and manual procedures and controls exercised over the cycle are adequate.
- The process provides a satisfactory level of financial and administrative control and accountability.
- The process ensures compliance with applicable guiding principles.
- The process is designed for efficiency.

Test Procedures:

The Audit Team conducted interviews with managers and employees who are involved in the people to paycheck cycle. Guiding principles, including legal requirements, were identified and documented. The Audit Team flowcharted the people to paycheck cycle to identify controls within the various processes.

Result:

The controls exercised are mostly electronic and are adequate. There is a satisfactory level of cycle accountability along with financial and administrative controls. The processes have been designed for efficiency and are compliant with various laws, rules, and regulations.

RECOMMENDATION

The Audit Team did not identify any material concerns that require management's corrective action.

AUDIT COMMENT 2**The people to paycheck cycle is working as designed.**

The objective was to determine if the identified processes in the people to paycheck cycle were working as designed.

Using files obtained from the Oracle Human Resources module, the populations were identified for BOCC and COCC employees. A random sample of 30 employees was selected for testing [20 BOCC employees and 10 COCC employees]. The test period covered the payroll dates of June 28 through July 11, 2015, which corresponded to the employee payroll checks issued on July 17, 2015.

Test Procedures:

Using the personnel records in Oracle for identification of salary and benefits, the Audit Team reconciled the components of each employee's payslip. This included:

- recalculating gross earnings,
- verifying applicable benefit deductions,
- recalculating withholdings, and
- verifying the net pay amount.

Recalculating gross earnings involved tracing the hours reported on the payslip to the supporting time keeping record in KRONOS or Telestaff. Vacation and sick leave accrual balances were verified based on the employee's applicable accrual rate and the prior period's balance, less any deductions during the period tested. The Audit Team verified that the employee's rate of pay was within the established minimum/maximum range. The payment to the employee was traced to the payroll record in Oracle and ended with the tax reporting record.

Result:

The Audit Team determined that the 100% (30 of 30) of the employee pay slips tested reflected accurate information from Telestaff, Kronos, and Oracle.

RECOMMENDATION

The Audit Team did not identify any material concerns that require management's corrective action.