

Payroll Services

Internal Audit Report

January 30, 2018



Internal Audit
Orange County Public Schools

Linda J. Lindsey, CPA, CGAP, Senior Director
Alpa H. Vyas, CIA, CRMA, Internal Auditor

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EXECUTIVE SUMMARY

Why We Did This Audit

Our objective was to determine whether payroll is functioning effectively, efficiently and with appropriate internal controls and in compliance with applicable laws, rules and regulations.

This audit was included in the annual audit plan for FY 2017-2018.

What We Recommended

Bank detail information is considered as Personally Identifiable Information (PII) which should be protected. Unnecessary access to users who can view bank details should be removed. The list of users who have access to view InfoType 0009-bank details should be reviewed periodically.

What We Found

Our overall conclusion is that internal controls are effective for payroll processing and for compliance with applicable laws, rules and regulations.

However, we noted that there is not adequate control over access to employees' bank details screen (used for direct deposit of pay) which can be viewed by persons in several divisions other than Payroll Services.

BACKGROUND:

Payroll Services includes a total of 19 staff members in such roles as Administration, Senior Payroll Practitioners, Payroll Practitioners, and Front Desk Payroll Practitioners. Payroll Services processes payroll and assists employees and work location payroll preparers in delivering important payroll information in a timely manner.

Several departments perform important functions in the overall payroll process.

- Office of Management and Budget (OMB) creates and maintains positions;
- Human Resources (HR) hires employees and sets up personnel records;
- Compensation Services authorizes pay rate/salary;
- Work locations record time and attendance;
- Payroll Services processes payroll, prepares tax filings, and other disbursements that result from payroll deductions; and,
- Finance posts and reconciles payroll entries in the general ledger.

Employees use the self-service portal (MyOCPS) for:

- insurance plan option
- retirement plan option
- W4 tax information
- dependents
- address
- sick/vacation/personal leave request
- beneficiaries
- OCPS paid life
- coverage for dependent life and/or disability insurance

Any modification made in the portal reflects immediately in SAP system, and Payroll Services processes those changes each pay period.

Direct deposit bank information is submitted by the employee on a Direct Deposit Authorization Form.

Payroll Services processes payroll and assists employees and work location payroll preparers in delivering important payroll information in a timely manner.

Several departments play roles in the overall process of paying employees for their work.

Employees' use of the self-service portal provides timely and efficient updates to employee records.

Payroll Services Internal Audit Report

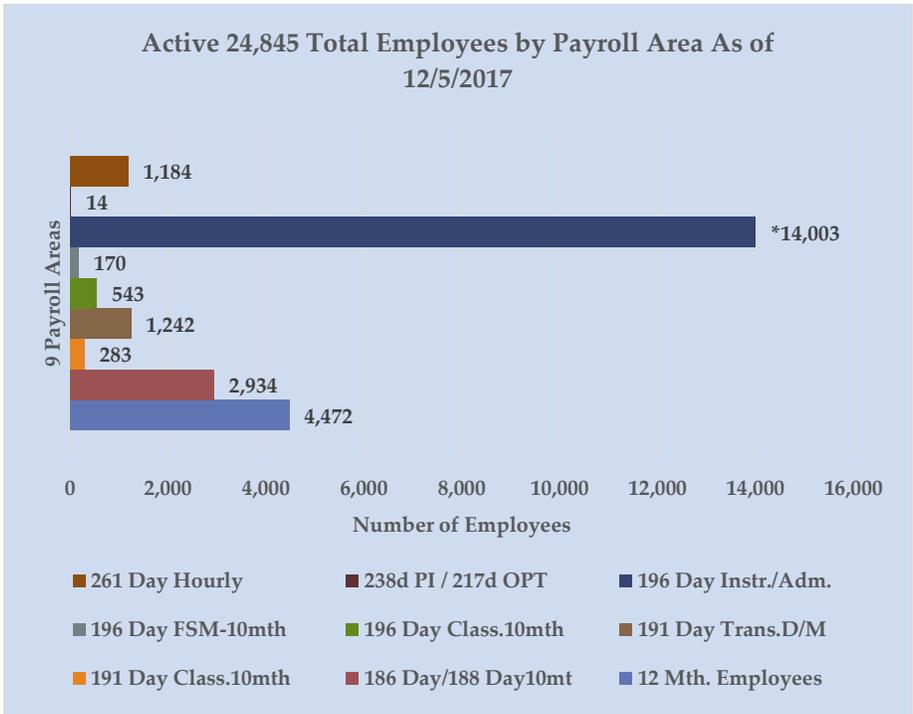
Payroll Services schedules and runs payroll jobs to determine any errors or exceptions that require corrective action prior to the actual payroll run. As master data is constantly changing, Payroll Services generates a payroll pre-edit log report to ensure errors are detected and corrected prior to the actual payroll run. Payroll Services also spot-checks the accuracy of paycheck information by validating one selected employee from each wage type in each payroll processed.

Payroll Services processes quarterly/annual payroll tax reports, payments, and monitors for any exceptions or tax issues.

There were 24,845 active employees as of 12/5/2017. Employees are categorized into 9 payroll areas and 11 employee subgroups. Charts 1 and 2 show the number of employees in each payroll area and employee subgroup.

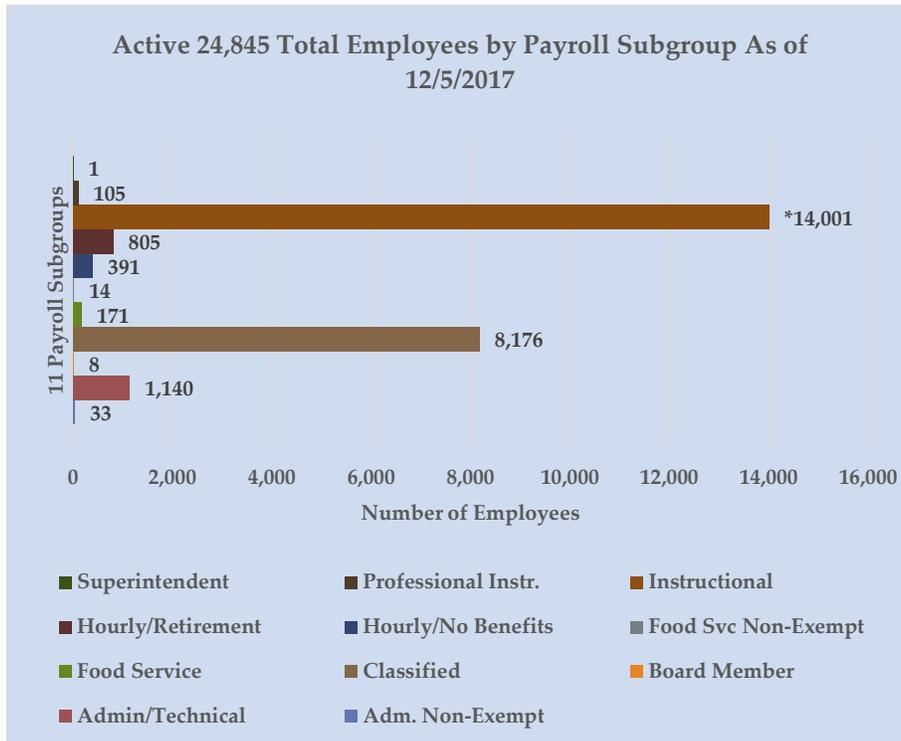
Payroll Services schedules and runs payroll jobs to determine any errors or exceptions that require corrective action prior to the actual payroll run.

Chart 1



There were 24,845 active employees as of 12/5/2017.

Chart 2



Among 24,845 active employees, there were 14,001 Instructional employees, 8,176 Classified and 1,140 Admin/Technical employees as of 12/5/2017.

* The difference between the numbers of instructional employees on the two charts is that three 10 month assistant principals are included in Instructional/Administrators on Chart 1 and not in the 12 month employee category where other assistant principals are reported, and one instructional employee is currently serving as the CTA president and not a teacher but she is still reported in the instructional category on Chart 2. If adjusted for these items, both lists would reflect 14,000 instructional employees at December 5, 2017.

OBJECTIVE, SCOPE AND METHODOLOGY:

Objective

The objective of this audit was to determine whether payroll is functioning effectively, efficiently and with appropriate internal controls and in compliance with applicable laws, rules and regulations.

Scope

Our audit scope included payroll processing activities from July 1, 2017 to October 31, 2017.

Methodology

To obtain reasonable assurance regarding the Payroll Services functions, our audit methodology included:

- reviewing payroll policies, procedures, standards, and reconciliation processes;
- verifying segregation of duties in the payroll processes, and adequate security regarding access to payroll data; and,
- performing walk-throughs with the Payroll Services staff of payroll functions including the scheduling of payroll jobs and transferring of bank files.

The total of 24,845 active employees as of 12/5/17 was extracted directly from SAP in Excel format and then export to Interactive Data Extraction and Analysis (IDEA) audit software for audit sampling and analysis. We selected 15 employees for our audit sample which covered most of the payroll sub groups. We did not find any exceptions from our test of this sample of payroll transactions.

We used SAP Master Data, Pay Cards Report, and Payroll Display Off-Cycle transaction codes, policies and contracts, and security roles to verify pay rate or salary increases, direct deposit information, accrued leave balances, Kronos time sheets, deductions, segregation of duties, and security of payroll data.

Our audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors and included such procedures as deemed necessary to achieve the objectives. Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

We are required to note any material deficiencies in accordance with Florida Statutes, School Board Policies and sound business practices. We also offer suggestions to improve controls or operational efficiency and effectiveness.

We extracted active employee data into IDEA for analysis and selection of a test sample.

This audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

COMMENDATION:

We noted effectiveness, efficiency and adequate internal controls are in payroll processing functions as demonstrated by:

- Payroll Services policies, procedures, standards, and timelines are established, implemented, and maintained properly;
- Computations and payments are accurate and timely;
- Segregation of duties in payroll processing is adequate;
- Exception reports, if any, are run prior to the payroll process;
- Payroll data during the transfer process is accurate and secured;
- Reconciliation processes are established, implemented, and maintained properly;
- Supervisor's review/approval process occurs prior to final payroll processing;
- Transferring bank files for direct deposit and TSA are accurate and timely;
- W3/941 files are submitted through Business Service Online (BSO) in a timely manner;
- Payroll entries are properly posted to the GL and reconciled by Finance; and,
- District's Records Retention Policy is followed by the department.

Effectiveness, efficiency and adequate internal controls are noted in payroll processing functions.

FINDING AND RECOMMENDATION:

- 1) **Employees' bank detail information under PA20 HR Master Data is not secured. Several persons other than Payroll Services employees and IT consultants have access to view bank details.**

High risk

Audit Finding: Several persons other than Payroll Services employees and IT consultants have access to view PA20 HR Master Data - InfoType 0009 employees' bank details. The bank details screen contains sensitive information such as employees' bank name, account number, and routing number for direct deposit purposes.

Recommendation: Bank detail information is considered Personally Identifiable Information (PII) which should be protected. Unnecessary

Several persons other than Payroll Services employees and IT consultants have access to view employees' bank details.

access to view bank details should be removed. The list of users who have access to view InfoType 0009 bank details should be reviewed periodically.

We wish to acknowledge the staffs of the Payroll Services, HR-Compensation Services, and Finance departments for their cooperation and assistance during this audit.



Department / School Name	Payroll Services
Administrator / Department Head	Lindsay Bowlin
Cabinet Official / Area Superintendent	Dale C. Kelly

Exception Noted (Finding / recommendation)	Management Response (Corrective Action)	Responsible Person (Name & Title)	Expected Outcome & Completion Date What is the evidence of the corrective action?
What is? What should be?	What needs to be done?	Who needs to do it?	When will the action be completed? (03/2018)
<p><u>Audit Finding:</u> Several persons other than Payroll Services employees and IT consultants have access to view PA20 HR Master Data - InfoType 0009 employees' bank details. The bank details screen contains sensitive information such as employees' bank name, account number, and routing number for direct deposit purposes.</p>	<p>Infotype 0009 must be removed from the SAP security roles in question.</p>	<p>Rosemarie Santiago IT Administrator</p>	<p>Infotype 0009 has been removed from the SAP security roles in question. In addition, this infotype has been added to the list of SAP critical authorizations that are reviewed and approved quarterly, by the Senior Business Process Specialist.</p> <p>The corrective action was completed on 3/1/2018.</p>