Department of Human Resources
Payroll Accounting and Processing Audit
Final Report

August 2009

“promoting efficient & effective local government”
Introduction

The Internal Audit Office performed an audit of Payroll Accounting and Processing as part of our Annual Audit Plan. Payroll processing involves paying county employees for their services and accumulating and reporting payroll related information to interested third parties in compliance with various laws, regulations, and other arrangements. It entails the maintenance of detailed records for each employee on such information as gross earnings and various payroll deductions as well as time worked and personal data. The total bi-weekly pay processed by the Department of Human Resources (DHR) Payroll Division for the pay period ended January 30, 2009, was approximately $35 million. While DHR Payroll Division is responsible for the overall functions of payroll accounting, processing, and information and records management; the tasks of compliance with personnel actions and time and attendance reporting procedures and controls have been decentralized to individual county departments.

Executive Summary

Our audit focused on determining the adequacy of internal controls over payroll transactions within the Department of Human Resources (DHR) and the payroll processes which have been decentralized to the agency level. Overall, the results of our audit procedures indicated that controls over the processing and reporting of various payroll transactions, and the maintenance of payroll records, were adequate and operating effectively. Payroll amounts appeared to be accurately calculated, recorded and disbursed and segregation of duties controls were generally well designed. However, the following areas needed to be strengthened:

Time and Attendance

- Payroll contacts’ time was not being reviewed after time transfer each pay period at five of the ten departments sampled for testing payroll controls increasing the risk for erroneous or fraudulent payments.
- Overtime hours recorded on time cards for the Department of Public Works and Environmental Services (DPWES) Solid Waste Collections and Recycling (SWCR) and Disposal and Resource Recovery (SWDRR) employees were not supported by adequate documentation, for disallowed overtime. Time punched in/out on the time cards did not match the overtime hours reported. In addition, time cards were not being signed by the employees. Other inconsistencies included instances where the time clock was not being used to punch time in/out, and time was recorded manually on time cards without supervisor initials.
- In one of the 10 departments tested, time and attendance reconciliations were not being performed before calendar year 2008; reconciliations were not being signed and dated by preparer at two departments and were not reviewed by anyone at two departments. In addition, some of the departments tested were not performing a periodic review of a representative sample of employee time records to actual time processed, as required by county policy.
- Personnel in one division in the Park Authority were recording time directly into the
PRISM system without using time sheets to record approval of overtime and leave, which was not consistent with the county policy.

- While the online time was being reviewed by supervisors, payroll contacts at Fire and Rescue and Police were not performing a final review of each employee’s time posted (including leave and overtime) with the approved time sheets prior to submitting the time for processing, as required by the county policy.

System Controls

- Three out of ten departments sampled were not reviewing PRISM access levels of employees on a periodic basis, as required by the county’s security policy, and unnecessary access was found at seven departments reviewed.
- While the payments were found to be accurate, gross pay data was not included on one of the screen prints for the PRISM system for some of the terminated employees, raising concerns about the availability of payroll information.

Employee Record Maintenance

- Controls over the pay for performance process needed to be improved in maintenance of evaluations in employee files and review of authorizations for performance scores/rates, due to instances noted where evaluations were completely unsigned or scanned in wrong employee files.
- DHR did not have a policy in place to update the authorized Personnel Action Request form signatory for departments on a periodic basis to ensure that they were current.

Employee Terminations

- One hundred eighty-five employees were coded as “active” on PRISM, though they did not have any earnings for the past six months.
- Five of the ten departments sampled were not fully compliant with the county Employee Clearance Record Checklist requirements, increasing the risk that county property is not returned or access to county systems/information is not revoked at the time of the employee termination.

Miscellaneous

- A sample of part-time (status T) employees revealed that several employees in this category had worked in excess of 1,039 hours within the same employment year, resulting in noncompliance with the county policy. The policy states that exempt part-time employees may not work in excess of 1,039 hours in a given employment year including both regular schedules and overtime hours, regardless of the position’s scheduled hours.
Scope and Objectives

This audit was performed as part of our fiscal year 2008 Annual Audit Plan and was conducted in accordance with generally accepted government auditing standards. We tested controls over payroll transactions with DHR and those delegated to department levels. The audit covered the period of July 1, 2006, through December 31, 2007, for our substantive testing; however, for the purpose of better reporting on the adequacy of internal controls over payroll especially at the sampled departments, we extended our audit period into the calendar year 2008. The audit objectives were to determine that:

- Payroll records were accurate
- Authorization for personnel and payroll documents was proper
- Processed data matched source payroll records
- Overtime and compensatory time were properly approved
- Payments to current or terminated employees were accurate
- Cumulative tax withholdings and earnings were accurate
- Reconciliations were effective and supervisory reviews were adequate
- Reporting of payroll information to governmental agencies was accurate
- Payments were not made to terminated employees or to fictitious persons
- Assigned access levels to view or change payroll information were appropriate

Methodology

Our audit reviewed internal controls to determine if they were adequate to ensure that amounts paid to employees were accurate and agreed with supporting documentation and that only valid county employees were being paid. In addition, we reviewed processes to determine that all the appropriate detailed records were accurately maintained and that county agencies complied with the appropriate laws, rules, and regulations.

The majority of our audit fieldwork centered on testing within high risk areas. Our audit approach included interviewing appropriate staff, observing employees' work functions, detailed testing of transaction samples, and evaluating the processes for compliance with sound internal controls, county policies, and departmental policies and procedures. Information was extracted from PRISM for sampling and verification to source documentation, and analytical reviews of exception reports were performed by pulling PRISM data into our ACL audit software; however, our audit did not include an independent review of system controls. Our transaction testing did rely on these controls; therefore, this was a scope limitation. The potential impact of this circumstance on our findings was that some portion of transaction data may have been erroneous. In addition, management responses to findings were obtained only from the departments sampled for review, and not from the ones resulting from a review at the DHR level.

The Fairfax County Internal Audit Office is free from organizational impairments to independence in our reporting as defined by generally accepted government auditing standards. We report directly and are accountable to the county executive. We report the results of our audits to the county executive and the Board of Supervisors, and reports are available to the public.
Findings, Recommendations, and Management Response

1. Review of Payroll Contacts’ Time

*DPWES Solid Waste Collection and Recycling Division, Reston Community Center, Planning Commission, Park Authority, Fire and Rescue*

The payroll contacts’ time was not being reviewed after time transfer for each pay period. Payroll contacts have the ability to enter and transfer their own time, and to change time that has been locked or even transferred without any independent review. Personnel/Payroll Administration Policies and Procedures (PPAPP) Memorandum #8 requires that department directors designate someone other than the payroll contact to perform the final review of the payroll contact’s time and compare the exceptions to the approved Leave and Overtime Schedule after time has been transferred each pay period. Inadequate controls over payroll contacts’ time could increase the risk of unauthorized or inaccurate payroll disbursements.

**Recommendation:** We recommend that the departments comply with the requirement of PPAPP #8 to review payroll contacts’ time to provide greater assurance that the payroll processed is accurate, properly approved and documented. Further, the new ERP system should restrict access to payroll contacts to make changes once their time has been locked in by supervisors.

**Management Response:** Each of the departments in the above finding have provided responses which include action plans for correcting deficiencies and ensuring future compliance. An itemized listing of these individual departmental responses is included in Attachment A.

*Department of Human Resources:* DHR will revise Personnel/Payroll Administration Policies and Procedures, Memorandum 8, to include a form that should be completed each pay period by the person reviewing the payroll contacts’ time. This form is to be maintained at the department along with the timesheets for a period of three years. The Payroll Division will conduct a compliance audit biweekly by randomly selecting departments. The anticipated completion date is December 31, 2009.

Additionally, this issue is on the Draft Requirements list for the future ERP system which is in the process of being prioritized and approved for implementation. DHR has reviewed the potential software candidates for implementation and noted that they all have the capability to address this control.

2. Time and Attendance Reconciliations

*Planning Commission, Reston Community Center, Park Authority, Department of Administration for Human Services, DPWES Solid Waste Collection and Recycling Division, Department of Family Services/Office for Children*
While time and attendance reconciliations were being performed at most of the departments in our sample, some of the departments were not fully compliant with the reconciliation policies and procedures set forth in PPAPP #8. For instance, for the Planning Commission, the reconciliation for the pay period ended in November 2007 was performed in March 2008. We were informed that the Planning Commission was not performing reconciliations before 2008. At the Reston Community Center and Park Authority, the reconciliations were not signed and dated by the preparer. At the Department of Administration for Human Services and Planning Commission, the reconciliations were not being reviewed. In addition, some of the departments tested were not in compliance with PPAPP #8 relating to periodic review of a representative sample of employee time records to time processed.

PPAPP #8 requires that all the reconciliation reports be signed and dated by the person performing the reconciliation. The memorandum also requires that, on a periodic basis, the department director or a designee other than the payroll contact review the reconciliation process and documentation and compare a representative sample of employee time records to the time processed for those employees and to the supervisor’s approval for leave and overtime. Failure to sign and date the reconciliations increases the risk of reconciliations being performed in an untimely manner and violating segregation of duties controls. Lack of supervisory review increases the risk of outstanding items that are not followed up in a timely manner.

**Recommendation:** We recommend that the departments comply with the requirements of PPAPP #8. Reconciliations should be signed and dated by the preparer in order to evidence that the reconciliations are being performed in a timely manner by someone other than the personnel/payroll contact. In addition, a representative sample of authorized employee time records should be periodically reviewed by supervisors to compare leave and overtime to time processed and ensure integrity of the time and attendance data.

**Management Response:** Each of the departments in the above finding have provided responses which include action plans for correcting deficiencies and ensuring future compliance. An itemized listing of these individual departmental responses is included in Attachment A.

### 3. Time and Attendance Controls

*DPWES Solid Waste Collection and Recycling Division and Solid Waste Disposal and Resource Recovery Division*

In the DPWES Solid Waste Collection and Recycling (SWCR) and the Solid Waste Disposal and Resource Recovery (SWDRR) Divisions overtime hours actually reported did not match the time punched in/out on the time cards, and time cards were not signed by employees.

Eight out of nine employees’ time cards verified for the SWCR Division for one pay period did not accurately support the overtime granted to employees by their
supervisors. For instance, an employee punching out late would get overtime on one day and on another day would get less or no overtime. An overtime analysis for the eight employees for the pay period reflected a total of 39 overtime hours per the time card data whereas the actual hours granted to employees by their supervisors was 15, a difference of 24 hours. We were informed that SWCR employees were constantly observed by their supervisors who determined whether an employee was entitled to overtime and could override overtime clocked on the time cards. However, nothing was documented on the time cards which would support any differences between time punched on time cards and time posted in PRISM. There was nothing available in writing to document these overtime procedures. In addition, a comparison of the overtime sheets with time records revealed that overtime for one employee was not recorded and therefore, not paid. The department management informed us that a pay adjustment for this omission would be submitted.

Similar inconsistencies were observed in six out of eight employees’ time cards verified for the SWDRR Division for one pay period. An overtime analysis for the eight employees for the pay period reflected a total of 103.6 overtime hours per the time card data whereas the actual hours posted to PRISM was 63.5 hours, a difference of 40.1 hours. Further, the time clock was not consistently used to punch time in/out; some time was recorded manually on time cards without supervisor initials.

Employees working at field sites for the SWCR and SWDRR reported their hours worked by punching in and out on a time clock at the beginning and end of each work day. The time cards indicated all time worked each day, including overtime. The administrative assistants at the sites used the time cards to enter time into PRISM. Therefore, information contained on the time cards should have been compatible and form the basis to support the individual wages earned and paid to each employee. Further, county policy requires all time sheets be signed and dated by employees and time cards are considered a form of time sheet. Lack of proper documentation on time cards for time reported could increase the risk of under/over-stated payroll disbursements and of payroll fraud. Since signatures on time cards are part of the payroll approval process, integrity and accuracy of payroll processing may be compromised.

**Recommendation:** SWCR and SWDRR should take immediate action to ensure that all overtime allowed or disallowed at the field sites is properly documented and the actual overtime hours reported is reconciled with the time cards. In addition, they should document their procedures specifying when overtime will be allowed or disallowed. All time cards should be signed by the employees. If signatures are unattainable, documentation of efforts should be maintained.

**Management Response:**

*DPWES Solid Waste Collection and Recycling Division:* All time cards will be signed by the employee for verification of time worked. Should the punched time card reflect a difference from actual time worked, it will be documented. The implementation is effective April 2009. A SOP will be developed documenting required agency
timekeeping procedures by July 1, 2009.

**DPWES Solid Waste Disposal and Resource Recovery Division:** Agency personnel are drafting an agency-specific standard operating procedure for time and attendance documentation; reconciliation, employee time card usage; purpose; signatures; and accurate, consistent and verifiable authorization of overtime by supervisory personnel. The anticipated implementation date is June 1, 2009.

### 4. Use of Time Sheets

**Park Authority**

None of the Park Authority payroll staff was using time sheets to report time, even though exceptions to regular schedule (sick leave, annual leave) for some employees were noted for the time period tested. All time including exceptions to regular schedule was being recorded directly into the PRISM system.

PPAPP #8 requires the use of “Leave and Overtime Schedule” or a similar form designed by the agency to suit its needs, for the purpose of reporting exceptions to employees’ regular schedule, e.g. leave and overtime. Non-compliance with the requirements of this memorandum can result in incomplete time and attendance reporting documentation and a lack of audit trail for exceptions to the employee’s regular schedule, increasing the risk of erroneously or fraudulently posted time.

**Recommendation:** Park Authority should comply with the requirements of PPAPP #8, and ensure the department completes the Leave and Overtime Schedule Form (or a similar form designed by the department to suit its needs) for reporting and approval of all exceptions to employees’ regular schedules.

**Management Response:** Payroll specialists and payroll supervisor will complete a Leave and Overtime Schedule to record work hours and exceptions consistent with PPAPP #8. Additionally, staff in Financial Branch of the Administration Division will complete Leave and Overtime Schedules, consistent with PPAPP #8. Further, appropriate time and attendance reporting and documentation procedures will be reinforced with staff agency-wide through issuance of a Director’s Critical Communication. The anticipated implementation date is June 5, 2009. Director’s Critical Communication scheduled for release in September 2009.

### 5. Review of Online Time by Payroll Contacts

**Fire and Rescue, Police Department**

We noted that while the online time was being reviewed by supervisors, payroll contacts at the Fire and Rescue and Police Department were not performing a final review of each employee’s time and comparison of exceptions (leave and overtime) with the approved time sheets prior to submitting the time for processing, as required by PPAPP #8. The non-compliance applied to the entire department. The payroll
contacts were not receiving the time sheets in time to review the time prior to transfer. At the Fire and Rescue Department, the payroll office was only verifying the correctness of sub-object codes, scheduled hours, etc. online before transferring time. At the Police Department, the payroll office was verifying the overtime summaries received from stations and the PRISM online screens for each employee; however, a comparison of time sheets to PRISM was not being performed.

Per PPAPP #8 Time Data Entry/Verification, payroll contacts are responsible for performing a final review of each employee’s time and comparing exceptions (leave and overtime) with the approved leave and overtime schedule form (or similar form used by that department) prior to submitting the time for processing by the payroll system. Non-compliance with this requirement results in bypassing the second level of time sheet review for the accuracy of time and attendance reporting.

**Recommendation**: We recommend that the departments concerned meet with DHR to develop an acceptable application of PPAPP #8 that meets the control objectives. The memorandum requires compliance by all the county departments; however, for departments which cannot comply with the requirements due to the nature of operations, DHR should either provide an exception or amend the memorandum to exclude those agencies.

**Management Response**:

*Fire and Rescue Department*: Due to the 1400 field personnel on three separate 24-hour shifts (and day work) in the Fire and Rescue Department completing Online Time and Attendance reports each pay period, the responsibility for performing a final review of each employee time will rest with field supervisors. The Fire and Rescue Department will develop a verification form to be signed by field supervisors validating the reporting of leave and overtime exceptions with the approved department form, FRD-043, *Authorization for Leave and Overtime*. Payroll contacts will also spot check field battalion time and attendance reports to ensure a redundant means of verification. The implementation is effective pay July 17, 2009.

*Police Department*: The department requested from DHR an exemption to PPAPP #8, Online Time Data Entry/Verification, on June 9, 2009.

*Department of Human Resources*: DHR will work with Fire and Rescue and the Police Department to develop acceptable compensating controls in this area to be able to provide these departments with a written exception to Personnel/Payroll Administration Policies and Procedures, Memorandum 8. The anticipated completion date is December 31, 2009.

In the future, we believe the ERP will reduce, if not eliminate this risk if configured for such a scenario.

6. **PRISM Access**
Two of the ten departments sampled were not reviewing employee PRISM access on a periodic basis to assure that they reflected current employee job assignments, in accordance with the county’s revised security policy. Further, unnecessary access to PRISM for update and inquiry was found in six of the ten sampled departments. For instance, one employee at the DPWES Solid Waste Disposal and Resource Recovery Division had PRISM access to update and view records which was not in agreement with the employee’s job function. The departments where we found instance(s) of unnecessary access were: Department of Family Services, Department of Administration for Human Services, Police Department, DPWES Solid Waste Disposal and Resource Recovery, Fire and Rescue Department and Park Authority.

The County’s Information Technology Security Policy 70-05.01 provides that “each agency must authorize and enforce a user’s access to and action towards specified resources based on least privilege.” Providing unnecessary capabilities to PRISM users presents opportunities for making unauthorized additions, deletions, or changes to information that could compromise the integrity and confidentiality of payroll data and increase the potential for fraud.

Recommendation: We recommend that the county departments periodically review the validity and reasonableness of all access to PRISM. Users should be granted access only to the resources needed to perform their official functions. The access authorizations of system users, who have been terminated, transferred, or whose job responsibilities have changed, should be removed. Emergency and temporary access authorizations should also be automatically terminated after a predetermined period. The new ERP system should be capable of automatically generating access reports and emailing them to agency management for tracking employee access.

Management Response: Each of the departments in the above finding have provided responses which include action plans for correcting deficiencies and ensuring future compliance. An itemized listing of these individual departmental responses is included in Attachment A.

Department of Human Resources: DHR will send out a memo at least quarterly, modifying as needed, to encompass the issue at hand. They will also attach the policy noted above. Also, in the monthly training seminars, they can elevate this issue in their discussions with attendees. The anticipated completion date is July 31, 2009.

Additionally, this issue is on the Draft Requirements list for the future ERP system which is in the process of being prioritized and approved for implementation. DHR has reviewed the potential software candidates for implementation and noted that they have the capability to address this control through an identity management tool.
7. PRISM Information

*Department of Human Resources*

The PRISM system was not displaying the gross pay information for a sample of employees terminated in fiscal years 2006 or 2007. While comparing the year-to-date gross pay per PRISM with pay per the statement of earnings and leave, we found that gross pay data on the PRISM screen (function 04/transaction 26/screen ID ISM0526) for 10 out of 25 employees selected did not display and, therefore, could not be verified.

PRISM should be able to display the total gross year-to-date, total gross prior year, and total gross two years ago for all employees still on the database as long as they received wages that fell within the current and/or two years prior. Payroll data that is not able to be displayed for some terminated employees in the PRISM system raises concerns about the availability of payroll information.

**Recommendation:** We recommend that DHR Payroll work with the Department of Information Technology (DIT) to research and resolve the problem. Further, DHR should make sure that the issue is addressed to ensure that data is not lost with the transition to the new ERP system.

**Management Response:** DHR requested that DIT staff investigate the cause of this problem in July 2008. DIT determined in late December that the biweekly purge of terminated employees initializes the time balances and the gross dollar balances of employees who have been terminated for over one year. Due to an oversight, a formal change request was not submitted by DHR to authorize DIT to modify the process in PRISM. The necessary programming changes were requested on May 22, 2009, and will be implemented after development and completion of acceptance testing. Once complete, PRISM will retain gross earnings balances for the current and two prior years for terminated employees as long as the employee still has earnings that fall within these periods. The anticipated completion date is August 1, 2009.

8. Pay for Performance

*Department of Human Resources*

Of the twenty-five employees tested who received pay increases through annual pay for performance (P4P), four (16%) performance evaluations were not maintained in the DHR employee file, for verification of the performance score entered in PRISM. We also found an employee evaluation in DPWES Storm water Management not signed by the employee, reviewer and supervisor and another instance where an evaluation was recorded in the wrong employee file.

Due to the nature of findings noted in DPWES Storm water Management, we
expanded our testing to include 100% of employees in this division who received increases through P4P. On performing this for authorizations and file maintenance, we found a total of 12 instances where evaluations were either not recorded in employee files, recorded in wrong employee files or missing signatures for multiple years. In one of those instances, the evaluation was not signed by the employee, reviewer and supervisor from 2001 to 2007. DHR informed us that hard copies of evaluations were sent for scanning into the Laserfische system without performing a review of authorizations or performance scores/rates. The evaluations of employees erroneously scanned into other Storm water Management employee files did not exist in their respective employee files, which meant that it would be extremely difficult to retrieve those employees’ performance records if needed.

Chapter 12 of the Personnel Regulations – *Performance Management*, states that each completed performance evaluation form shall be reviewed by a supervisor designated by the department head or designee. Further, Section VII of the county’s Employee Performance Evaluation form requires that both supervisor and reviewer sign the form before presenting the final performance review to the employee and for the employee to sign certifying that the report has been discussed with the employee.

Failure to complete, sign or file a performance evaluation increases the risk of county liability in civil service proceedings and erroneous pay increases. Since the official series of evaluations in DHR becomes a record that may later support decisions such as promotions or dismissals, it is necessary that they are signed by all required personnel. Signing the performance evaluation form by the employee would confirm that the employee is aware of and has been informed of the evaluation. Signature of supervisor and reviewer would indicate management review and authorization. Further, omitting to scan evaluations renders the employee file incomplete and scanning evaluations in another employee’s file could compromise confidential employee information.

**Recommendation:** Performance evaluations should be complete, signed and dated before being sent to Human Resources. If an employee refuses to sign, it should be documented on the form. Further, care should be exercised to ensure that all evaluations are reviewed for rates/scores in comparison with PRISM, and scanned in the correct employee files.

**Management Response:** DHR will reiterate to payroll contacts that if there is no signature, they should not enter the evaluation at all. In circumstances that require it (such as the extended absence of the employee), the situation should be documented. If needed, the payroll contacts will be instructed to contact the DHR payroll manager for assistance. Also, within HR Central, when documents are sent for scanning, there are several reviews that take place and they will ensure that signatures are present, if not, they will send evaluations back to the agency for correction. The anticipated completion date is August 31, 2009.

Additionally, this issue is on the Draft Requirements list for the future ERP system.
which is in the process of being prioritized and approved for implementation. DHR has reviewed the potential software candidates for implementation and noted that they have the capability to address this control and they are currently in the process of designing the automated work flow processes for evaluations in the new system.

9. Authorized Signatories for Personnel/Payroll Documents

*Department of Human Resources*

DHR did not have a policy in place to update the authorized signatory lists for departments on a periodic basis to ensure that they were up to date and accurate. DHR maintained a file of authorized signature memos received from departments when a signatory employee was hired. They matched the signatures on this memo with the signatures on PAR forms sent by departments to ensure proper authorization for new hires. Departments were required to notify DHR to update the signatory lists when an employee was added or terminated. However, for one department we noted that both the listed authorized signatories had left the county, one in March 2007 and the other in May 2008, and the list was not updated as of the date of our testing.

For sound internal controls, DHR should maintain the most recently updated authorized signatures; maintaining old authorized forms is an opportunity for fraud.

**Recommendation:** We recommend that DHR issue instructions to all county departments to notify DHR immediately of any change in staff authorized to sign the personnel/payroll documents to minimize the possibility of fraud. Signature lists should be sent to departments on an annual basis to confirm accuracy and names should be checked against the terminated employees list by each department. Finally, DHR should explore the possibility of electronic approvals in the new ERP system.

**Management Response:** On July 29, 2008, a memo from the payroll manager was sent to all except 11 departments requesting an updated signature form. The 11 departments were excluded because they had submitted a form within a year of the memo date. We plan to send out another request on or about August 1, 2009, to any department that has not submitted a form since July 2008. The signature lists will be reviewed by DHR staff on a quarterly basis against changes in employment status and a memo will be sent to department to confirm the signatures on the lists on an annual basis. The anticipated completion date is September 30, 2009.

Additionally, this issue is on the Draft Requirements list for the future ERP system which is in the process of being prioritized and approved for implementation. DHR has reviewed the potential software candidates for implementation and noted that they all have the capability to address this control through an identity management tool.

10. Active Employees with No Earnings
One hundred eighty-five employees were coded as “active” on PRISM, though they did not have any earnings for the past six months or more. All 185 employees were listed as exempt part-time employees in the PRISM database. The majority of these employees were employed by Park Authority (80), Fire and Rescue (42), Mclean Community Center (23), Community and Recreation Services (22) and Reston Community Center (13). Per discussions, departments were reluctant to terminate the employees in case their services were needed again.

One of the effects of not terminating employees on time was that 24 employees, mostly from Park Authority, who left in 2006 did not have their leave payoff processed until 2007 since the termination process in PRISM was delayed.

Keeping employees on active payroll who are no longer working for the county increases the risk of potential fraud, such as making payments to employees who are no longer working for the county.

**Recommendation**: We recommend that departments take necessary action to make the employees inactive after their service is ended. In addition, DHR should develop a written policy requiring departments to provide DHR with written justification for not terminating the employees. It is further suggested that a special status be instituted for such employees in the new ERP system.

**Management Response**: Each of the departments in the above finding have provided responses which include action plans for correcting deficiencies and ensuring future compliance. An itemized listing of these individual departmental responses is included in Attachment A.

**Department of Human Resources**: DHR will revise its current procedure in that it will send the notifications to the appropriate departments requesting that the employees be terminated by a specific date or that written justification be submitted from the department head requesting that the employee remain on the database. The payroll manager will then approve/disapprove the request from the department head. If the employee is not terminated by the specified date, the Payroll Division will process the termination action effective the last day hours were reported. The anticipated completion date is December 31, 2009.

Additionally, this issue is on the Draft Requirements list for the future ERP system which is in the process of being prioritized and approved for implementation. DHR has reviewed the potential software candidates for implementation and noted that they have the capability to address this control through an identity management tool.

**11. Employee Clearance Record Checklist**
Health Department, Park Authority, Office for Children, Fire and Rescue, Department of Administration for Human Services

Employee Clearance Record Checklists were not completed for four out of five terminated employees sampled for testing at the Health Department, as required by PPAPP #33. At the Park Authority, one Employee Clearance Record Checklist out of 5 verified did not have employee’s signature and the signature page of the form for another employee was missing, so we could not verify if the employee and supervisor signed the form. Other departments where we noted instance(s) of non-compliance were Office for Children, Fire and Rescue and DAHS.

Per PPAPP # 33, departments are required to complete an Employee Clearance Record Checklist with each employee leaving county service for any reason. The signed Employee Clearance Record Checklist should be retained by the department for a period of one year. This process is intended to meet computer security obligations and to inform the employee about separation policies, pay and benefit entitlements, and any goods or monies owed the county.

Recommendation: We recommend that the departments comply with the requirements of PPAPP # 33 in completing the Employee Clearance Record Checklist to accomplish proper clearance at the time of employee termination. In addition, the process should be automated in the new ERP system to flag instances of non-compliance.

Management Response: Each of the departments in the above finding have provided responses which include action plans for correcting deficiencies and ensuring future compliance. An itemized listing of these individual departmental responses is included in Attachment A.

Department of Human Resources: DHR will redistribute a copy of PPAPP#33 to all departments with a cover memo from the HR Director reminding them of the requirement and importance of completing the clearance check. This is not something that is expected to be eliminated in the ERP, but we do expect that automated workflows can be set up and will reduce the risk. The estimated completion date is June 30, 2009.

12. Exempt Part-Time (Status T) Employee Hours

Community and Recreation Services, Park Authority, Community Services Board

A judgmental sample of fourteen exempt part-time (status T) employees selected for review revealed that eleven employees in this category worked in excess of 1,039 hours which is a violation of the county Procedural Memorandum 11-01 Exempt Service. These employees were employed mostly by the Community and Recreation Services, Park Authority and Community Services Board. Per our discussions with DHR Payroll, the PRISM system did not have a control feature that would flag a status T employee if hours exceeded 1039.
Per PM 11-01, regardless of the position’s scheduled hours, exempt part-time employees may not work in excess of 1,039 hours in a given employment year including both regular schedules and overtime hours and are not eligible for family and medical leave benefits. Failure to comply with these guidelines increases the county's risk of liability to pay benefits to part-time employees.

**Recommendation:** We recommend that departments comply with the provisions of PM 11-01 related to hours worked by part time (status T) employees. Controls should be built into the ERP system that would flag the employee’s name when the hours worked exceed the specified limit.

**Management Response:**

*Park Authority:* Hiring supervisors and site staff responsible for time and attendance reporting duties will be directed to comply with provisions outlined in Procedural Memorandum 11-01 through issuance of a Director's Critical Communication, scheduled for release in September 2009. The department will identify and share technology-based tools for distribution to all Park Authority facilities to assist site staff in monitoring total number of hours worked by status T employees. The anticipated implementation date is January 1, 2010.

*Department of Human Resources:* DHR will perform random audits of status T employees to make sure that the selected employees are in compliance. The anticipated completion date is December 31, 2009.

Additionally, this issue is on the Draft Requirements list for the future ERP system which is in the process of being prioritized and approved for implementation. DHR has reviewed the potential software candidates for implementation and noted that they all have the capability to address this control.
Payroll Accounting and Processing Audit
Individual Agency Management Responses

Finding #1 – Review of Payroll Contacts Time

*DPWES Solid Waste Collection and Recycling Division*: The payroll contacts’ time will be reviewed and exceptions compared after time has been transferred each pay period. A signed copy of the approved transferred time will be kept in a secure file. The implementation is effective April 2009.

*Planning Commission*: The payroll contact’s time and attendance is reviewed every Tuesday (after transfer of time) following the end of a pay period. The implementation is effective March 2009.

*Reston Community Center*: The recommendation has been implemented and the payroll contacts’ time is now reviewed.

*Fire and Rescue Department*: The payroll contacts’ time and attendance entries will be reviewed prior to and after time transfer to ensure accuracy and proper documentation of overtime and leave usage. The implementation is effective pay period 13, 2009.

*Park Authority*: Park Authority will implement an independent review of time and attendance data transferred each pay period for payroll specialists and the payroll supervisor. The review will compare time and exceptions approved on leave and overtime schedules to time recorded in PRISM 02024 screens. The implementation is effective pay period 13, 2009.

Finding #2 – Time and Attendance Reconciliations

*DPWES Solid Waste Collection and Recycling Division*: Time and attendance reconciliation reports will be signed and dated by the person performing the reconciliation. A periodic review of the reconciliation process and documentation will be conducted by a designated person to compare a representative sample of employee time records to the time processed and to the supervisor’s approval for leave and overtime. The implementation is effective April 2009.

*Planning Commission*: The department executive director reviews the reconciliations performed by the management analyst III every payday, for the previous pay period. The implementation is effective March 2009.

*Department of Family Services/Office for Children*: DFS will develop and implement internal time and attendance procedures requiring random comparison of ten to 15 leave and overtime schedules against the Agency Time Summary Report (PER2050A/PERS2050). This process will be conducted bi-weekly at the time payroll reconciliation is performed to ensure that the selected payroll has been closed out and finalized by DHR. The anticipated implementation date is May 22, 2009. Beginning
with this date, a comparison of leave and overtime schedules to PER2050/PERS2050 will be performed in conjunction with payroll reconciliation.

*Department of Administration for Human Services (DAHS):* On a quarterly basis, starting with the 4/09 – 6/09 quarter, the DAHS administrative assistant IV will prepare a representative sample of ten authorized employee time records with a quarterly summary cover sheet. The DAHS management analyst II supervisor will review the sample to compare leave and overtime to time processed to ensure the integrity of the time and attendance data and will sign and date the cover sheet. The quarterly reviews will be maintained with the agency reconciliation records.

*Reston Community Center:* The preparer will sign the reconciliations, in addition to handwritten name. The recommendation has been implemented.

*Park Authority:* The reconciliation preparer will complete the reconciliation in a timely manner, including signing and dating the reconciliation report; the practice of conducting periodic reviews of a representative sample of employee time records to time processed will continue. The implementation is effective June 19, 2009.

**Finding #6 – PRISM Access**

*Department of Family Services/Office for Children:* In conjunction with biweekly online time processing, beginning with May 22, 2009, a review of time group access will be performed to ensure that no time group contains global access “Y” indicator. Additionally, beginning with July 3, 2009, the reports PERS9912 (PRISM Security Database Valid Users) and PERS9913 (Valid Time Users with function 8) will be reviewed on a quarterly basis to ensure that employees who no longer require access to online time for supervisory or timekeeper purposes are removed.

*DPWES Solid Waste Disposal and Resource Recovery Division:* The agency PRISM system administrator has already submitted the paperwork to HR to purge employees with inappropriate access to PRISM. The agency personnel administrative assistant has been instructed to modify her monthly PRISM reports printed to include monthly review of both the PRISM Security Database Valid User and Valid Time User reports. The recommendation has been implemented.

*Department of Administration for Human Services (DAHS):* Each time a new human resources manager is hired, PRISM access is updated. It was recently reviewed following a re-organization in the business area. HR managers often have access to more than their main customer departments because they serve as primary and secondary backups to other departments. Occasionally, non-HR staff are given access primarily related to duties that involve obtaining financial reimbursement for salaries from the state or federal governments or grantors. This list will be reviewed on an annual basis to make sure that it is accurate.

*Fire and Rescue Department:* The department will terminate authorized access of personnel whose positions have changed, in which their access is no longer justified by their position requirements. In addition, the department will conduct an annual review of access rights to ensure that it is in compliance with county’s Information Technology Security Policy 70-05.01. The implementation is effective immediately.
Police Department: On May 20, 2009, by coordinating with department’s Information Technology Bureau, unauthorized employees were deleted from PRISM access. The police payroll section currently performs periodic reviews of the PRISM security reports in Document Direct.

Park Authority: The review of PRISM access records was initiated in May 2009. In accordance with policy and audit recommendations, reviews of PRISM access will occur regularly. Division directors will receive Document Direct Report PERS9913 on a tri-annual basis and confirm necessary PRISM access. The payroll supervisor will adjust access accordingly in order to minimize risk associated with unnecessary system access. The anticipated implementation date for tri-annual review process is September 30, 2009.

Finding #10 – Active Employees with No Earnings

Reston Community Center: RCC instructors return to teach classes during each season. Depending on the class schedule there may be more than three payrolls without any hours worked between seasons. This trend will continue; however, RCC will review report PERS9972 monthly instead of on a quarterly basis and obtain written justifications from supervisors to keep employees in an active status. The anticipated implementation data is May 2009.

Fire and Rescue Department: Due to the nature of departmental programs (Volunteer Training, Urban Search and Rescue), the department’s Human Resources and the county’s payroll manager met with Internal Audit in August 2008 to discuss the need for some of our limited term personnel in these programs to remain as employees for a minimum of one year, prior to the need for termination. The one year minimum was agreed to once the department developed internal controls to ensure that only actual hours worked by the limited term employees would be recorded in the system for payment. The internal controls were developed have been in use since September 2008. A final memorandum of understanding (MOU) between the department and DHR is in progress with a projected completion date of June 19, 2009.

Park Authority: In addition to continuing existing monitoring and reinforcement strategies, the payroll supervisor will complete a quarterly review of Document Direct Report PERS9972 and terminate incumbents on the report. Division directors will be notified of terminations completed by the payroll supervisor. Terminations and follow through by the payroll supervisor will commence October 30, 2009. Further, the importance of appropriate management and documentation of terminations will be reinforced through issuance of a Director’s Critical Communication, scheduled for release in September 2009.

Finding #11 – Employee Clearance Record Checklist

Health Department: The applicable supervisor or manager will notify the Health Department HR office as soon as possible in writing once they are aware an employee is separating from service or is transferring to another department. The Employee Clearance Record Checklist will be e-mailed to the supervisor. The
supervisor will complete the checklist as soon as possible but no later than three workdays before the employee’s separation or transfer. Upon completion, the checklist will be sent to the Health Department HR office. Health Department HR staff member will e-mail, fax, scan, or courier documentation about benefits and entitlements including signature page for employees to sign and return and return to HR as soon as possible. Once the signature page has been received, HR will contact the employee to answer any questions he or she may have. Health Department HR staff will then sign the signature page. The Employee Clearance Record Checklist and Benefits and Entitlements signature page will be filed in the Health Department HR employee file and retained for one year. If an employee leaves with no notice, preventing the supervisor or Health Department HR staff from completing the Employee Clearance Record Checklist/Signature page, it will be documented in their Health Department HR records. This implementation is effective immediately.

**Department of Family Services/Office for Children:** Upon receipt of termination or resignation letter, payroll staff will notify the supervisor and/or employee that action will not be taken to terminate the employee until the Employee Clearance Record Checklist is received by HR staff. The anticipated implementation data is May 22, 2009.

**Department of Administration for Human Services (DAHS):** Upon determining and/or learning of anticipated DAHS terminations of employees leaving county service for any reason, the DAHS administrative assistant IV schedules and meets with outgoing employees and completes and retains the Employee Clearance Record Checklist to accomplish proper clearance at the time of employee termination. The recommendation has been implemented.

**Fire and Rescue Department:** The department is monitoring personnel who separate for any reason (i.e. dismissal, retirement, resignation) to ensure that all employees contact Personnel/Payroll prior to or at the time of termination. In addition, the department is completing a process flow document for all managers to follow, outlining the steps in the separation process, which includes a meeting with Human Resources to complete the Employee Clearance Record Checklist. The implementation is effective immediately.

**Park Authority:** Hiring supervisors will be directed to comply with requirements governing employee clearance procedures through issuance of a Director’s Critical Communication, scheduled for release in September 2009. Technology-based tools will be provided to all Park Authority facilities to assist site staff in ensuring the Employee Clearance Record Checklist is completed in accordance with PM #33.