

Hernando County Clerk of Circuit Court
Audit Services Department
Audit Report
Of
Payroll Operations
January 14, 2009

MANAGEMENT LETTER

TO: David Hamilton, County Administrator
Karen Nicolai, CPA, Clerk of Circuit Court

FROM: Peggy Prentice, CIA, CFE, CISA, Audit Services Director

DATE: January 14, 2009

SUBJECT: Audit of Payroll Operations

In compliance with the Audit Services Department's approved Audit Projects Schedule, the internal audit team recently conducted an audit of Payroll Operations. The objective of the audit was to determine whether internal controls are adequately designed and operating effectively. Based on testing, observations, and communications with key personnel, the audit team produced the attached report for your review. Management's response to the recommendations is also included. A copy of this report has been forwarded to the Board of County Commissioners as an agenda "correspondence to note" item.

The purpose of this report is to furnish management independent, objective analyses, recommendations, counsel, and information concerning the activities reviewed. The audit report is a tool to help management discern and implement specific improvements. It is not an appraisal or rating of management.

Although the Internal 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 courtesies and cooperation extended by employees of departments during the audit were sincerely appreciated.

If you have any questions, concerns, or need additional information in regard to the above or the attached report, please do not hesitate to contact me at (352) 540-6235, or just stop by my office in Room 201.

ATTACHMENT

Copy: BOARD OF COUNTY COMMISSIONERS:

Commissioner James Adkins
Commissioner John Druzbeck
Commissioner Rose Rocco
Chairman Dave Russell, Jr.
Commissioner Jeff Stabins
Larry Jennings, Deputy County Administrator
George Zoettlein, Office of Management and Budget Director
Jon Jouben, Assistant County Attorney
Cheryl Marsden, Human Resources Director

CLERK OF CIRCUIT COURT:

Amy Gillis, CPA, Finance Director
Judy Korbus, Administrative Services Manager

OTHER:

Joseph Welch, Partner, Purvis Gray & Company
Hernando Today
St. Petersburg Times - Hernando Edition
WWJB Radio Station
Hernando County Public Library

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Acknowledgement

Other minor findings not included in this report have been communicated to management and/or corrected during fieldwork.


Fieldwork was performed by: Peggy Prentice, Audit Services Director
Colin Engels, Assistant Auditor

Assistance was provided by: Nancy Brown, Audit Administrative Assistant

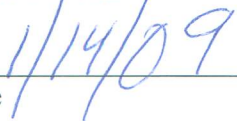
Management's responses were provided by: Cheryl Marsden, Human Resources Director
Amy Gillis, Finance Director

Management's responses were authorized by: Karen Nicolai, Clerk of Circuit Court
David Hamilton, County Administrator

This report was reviewed and authorized by Karen Nicolai, CPA, Clerk of Circuit Court.



Karen Nicolai



Date

Purpose & Scope

Purpose

The purpose of this audit was to provide some level of assurance that the Board of County Commission's and the Clerk of Circuit Court's payroll operations were functioning in compliance with the policies reviewed and with acceptable business practices.

Scope

The audit team reviewed the Board of County Commission (excluding fire and rescue personnel) and Clerk of Circuit Court employee payroll records for the payroll periods ending January 5, 2007, to August 20, 2008. The Audit Team identified the control environment, or lack of the same, and recommended any areas for improvement.

The Audit Team performed the following:

1. Identified the population of Board of County Commission and Clerk of Circuit Court employees who claimed overtime hours between the payroll periods ending January 5, 2007, to February 29, 2008.
2. Those employees identified above who no longer worked for the Board of County Commission or the Clerk of Circuit Court on February 29, 2008, were removed from the population.
3. Employees who worked for any fire or rescue department were removed from the population.
4. Employees who worked for the Audit Services Department were removed from the population as self auditing is a conflict of interest.
5. From the remaining population, the Audit Team chose a sample of employees' payroll records for testing.
6. The sample selection was as follows:
 - a. Employees who claimed the top 10% of all overtime hours.
 - b. Employees who appeared to have a historical pattern of overtime hours.
 - c. A random sample of other Board of County Commission and Clerk of Circuit Court employees who did not receive any overtime from January 5, 2007, to February 29, 2008.
 - d. The sample size was approximately 10% of the entire population of Board of County Commission and Clerk of Circuit Court employees excluding all fire and rescue department and Audit Services Department personnel.

PAYROLL OPERATIONS

7. For the sample of employees selected above, the Audit Team reviewed payroll records (employee, departmental, Human Resources, and Payroll Department, as applicable). The Audit Team:
- a. Tested payroll records for compliance with payroll related policies and procedures;
 - b. Considered if the employee time sheet forms were consistent with the applicable policies and procedures and good business practices;
 - c. Recalculated hours to ensure compliance with any applicable policies and procedures;
 - d. Addressed any Finance Department, Payroll Division, and Human Resources concerns, as applicable;
 - e. Pulled payroll reports by pay code;
 - f. Considered measures to control overtime, as applicable;
 - g. Considered the employee reclassification process;
 - h. Considered the effectiveness and efficiency of implementing an automated time clock system (i.e., computer terminal driven); and
 - i. Recommended any areas for improvement including policies and corrective measures.

Objectives, Discussions, Background, Recommendations and Management's Response

BCC - Bereavement Leave Policy HR05-06

#: 1

Objective: Address compliance with the Board of County Commission's Bereavement Leave Policy HR05-06 which states that, "Regular full-time employees shall be granted three (3) days bereavement leave, in accordance with this policy, for death of a member of the employee's immediate family. Regular full-time employees shall be granted one (1) day bereavement leave, in accordance with this policy, for death of a member of the employee's extended family."

Discussion and Background: For a sample of 76 Board of County Commission employees, the Audit Team reviewed departmental Time and Attendance Sheets from January 7, 2007, to February 29, 2008, for compliance with the above referenced Policy.

Of the 76 payroll records reviewed, the audit team identified 10 instances of bereavement leave. Of these, nine (9) appeared to be in compliance with the Policy. There was one (1) inconsistency identified.

Inconsistent with good business practices, 30% of the departmental Time and Attendance Sheets did not denote the relationship between the deceased and the employee. Without this information, the payroll clerk's ability to accurately prepare payroll, the supervisor's ability to provide an oversight control, and the Payroll Department's ability to perform the desk audit function are hampered. When this concern was brought to the Payroll Supervisor's attention, he took immediate corrective action by collecting the missing data and emailing bereavement record keeping practice instructions to the payroll clerks. Per the Payroll Supervisor, he had already identified this concern and had recently taken measures to eliminate any future omissions of this data.

At the time of testing, due to a lack of electronic record keeping, the Payroll Department was not able to run automated bereavement leave reports (used the same payroll activity code for regular and bereavement pay). When this was discussed with the Payroll Supervisor, he researched why the bereavement code had not been used. He then implemented a process to capture this data in the electronic record. The bereavement code is now utilized.

The Payroll Supervisor is fairly new to the position yet, he already has a good understanding of what changes could be made to enhance payroll operations. It appears that he is open to suggestions and is willing to implement corrective action.

PAYROLL OPERATIONS

Recommendation: Consideration should be given to requiring a notation on the departmental Time and Attendance form that denotes the relationship between the deceased and the employee. If/when this data is omitted, the Payroll Department should follow up with the departmental payroll clerk. This will provide the employee's department director, payroll clerk, and Payroll Department personnel the necessary information for decision making and oversight.

Board's Management Response: Human Resources sent an e-mail to all payroll clerks on October 14, 2008, informing them that they need to "Please continue to put "Funeral" or Bereavement" with the relationship and the dates in the comments section." This was reiterated at the Payroll Clerk Meeting again on December 10, 2008. Additionally, the Bereavement Policy will be updated to require that they state the relationship to the deceased on the Leave Request Form and Time Attendance Sheet.

Clerk's Management Response: Departments have been directed to include the relationship of the deceased to the employee and the Payroll Division has been reviewing the relationships noted on the timesheets more closely. Additionally, the Payroll Division has created a pay code for bereavement so that it can be tracked through the system more easily.

BCC - Civil Leave Policy HR05-02

#: 2

Objective: Address compliance with the Board of County Commission's Civil Leave Policy HR05-02.

Discussion and Background: There was a scope limitation. For the 76 Board of County Commission employees in the sample, the Audit Team was tasked with reviewing payroll records for compliance with the above referenced Policy. However, the Payroll Department was not able to provide an automated report of this payroll activity. Civil leave is tracked as regular pay in the electronic record (same payroll activity code), so to identify the population and to perform testing, the Audit Team would have had to sift through approximately 5,000 hard copy departmental Time and Attendance Sheets.

Based upon the difficulty and inefficiency of manual testing and the low civil leave activity, the Audit Services Director determined that the cost outweighed the potential benefit; therefore, the Audit Team did not test for compliance with the above referenced Policy.

Recommendation: For record keeping purposes, consideration should be given to electronically tracking civil leave by a unique payroll activity code. Consideration should also be given to analyzing all other leave types and electronically tracking the significant ones. Once these codes are developed, consideration should be given to training payroll clerks on how to report all leave types.

Clerk's Management Response: The current code structure will be analyzed to determine which codes should be separated and which codes can be combined. This will be completed by April 2009.

BCC - Emergency Pay Policy HR04-01

#: 3

Objective: Address compliance with the Board of County Commission's Emergency Pay Policy HR04-01.

Discussion and Background: Per the Payroll Supervisor, no Board of County Commission employee received emergency pay during the time period under review, January 7, 2007, to February 29, 2008. Due to an apparent lack of items in the population, compliance testing was not performed.

Recommendation: None

BCC - Hours and Compensation Policy HR04-02

#: 4

Objective: Address compliance with the Board of County Commission's Hours and Compensation Policy HR04-02.

Discussion and Background: The Audit Team reviewed payroll records for compliance with key aspects of the above referenced Policy. These key aspects were: overtime claimed, call-out claimed, on-call claimed, approval of daily employee time sheets, and approval of departmental Time and Attendance Sheets.

For each of the 74 Board of County Commission employees in the sample, the Audit Team reviewed the employee's and the department's payroll records for the payroll period ending February 1, 2008. Test results indicate that:

- 1.) Ninety-seven percent (97%) of overtime claims tested appeared to be in compliance with the Policy, Section I.
- 2.) All (100%) of the call-out pay claims tested appeared to be in compliance with the Policy, Section G.
- 3.) All (100%) of the on-call claims tested appeared to be in compliance with the Policy, Section H.
- 4.) All (100%) of the Time and Attendance Sheets reviewed were signed by the payroll clerk and a supervisor in compliance with good business practices.
- 5.) Eighty-five percent (85%) of the daily employee time sheet records reviewed were signed by the employee and were approved by a supervisor in compliance with the Policy, Section L5.

Recommendation: To ensure reliability of payroll records, every daily employee time sheet record should be reviewed and signed off by the employee and a supervisor in compliance with the Hours and Compensation Policy HR04-02, Section L5. Payroll clerks should be held responsible for following up on any exceptions prior to processing their department's payroll.

Board's Management Response: Payroll clerks were informed at the payroll meeting that they need to ensure each time sheet has both the employee and the supervisor's signatures.

BCC - Layoff Policy HR03-09

#: 5

Objective: Address compliance with the Board of County Commission's Layoff Policy HR03-09 which states that, "Any employee who is to be laid off will be given a minimum of 10 working days written notice of the pending layoff."

Discussion and Background: The Payroll Department identified 23 Board of County Commission employees who had been laid off between January 1, 2007, and February 29, 2008, from the full population of employees. Of these 23 employees, 12 were selected for testing. Five (5) employees were not given written notice of their layoff but because of their temporary status, this is not a material concern. Consistent with the Policy referenced above, the remaining seven (7) permanent employees were given written notice of at least 10 days prior to the effective date of the layoff.

Recommendation: None

BCC - Military Leave Policy HR05-09

#: 6

Objective: Address compliance with the Board of County Commission's Military Leave Policy HR05-09.

Discussion and Background: Using the military leave code in the electronic payroll records, the Payroll Department identified four (4) employees who had taken military leave between January 1, 2007, and February 29, 2008, from the full population of Board of County Commission employees. The Audit Team reviewed these employees' payroll documents. Based upon testing, military leaves do not appear to be taken in compliance with the above referenced Policy. Specifically:

1. Section A, paragraph 4a (short-term leave) and Section B, paragraph 2c (long-term leave) states that, the request for "military leave shall be submitted in writing to the employee's supervisor on a Leave Request Form." Inconsistent with this Policy, Leave Request Forms could not be found for each of the military leaves tested. However, per the USERRA Regulations, Notice of Leave (1002.85-.88), "the regulations require no particular form for the notice. It may be oral or in writing, it may be informal, and it need not follow any particular format." It appears that although some of the military leave requests were not in compliance with the above referenced Policy, the employees may not have been required to request their leave in writing or on a Leave Request Form per the USERRA regulations.
2. Section A, paragraph 4a and Section B, paragraph 2 states that when military leave is requested it must be submitted with proper documentation. Inconsistent with Policy, support documentation was not on file.
3. Section A, paragraph 4a states that short-term military leave of less than 17 days must be requested at least 14 days prior to the leave date. Inconsistent with Policy, leave was not routinely requested 14 days in advance.
4. Section A, paragraph 4a states that leave requests should be forwarded to the Payroll Department with the appropriate documentation. Inconsistent with Policy, military leaves were not consistently reported to the Payroll Department.

Recommendation: Thought should be given to reviewing the above referenced Policy for uniformity with the USERRA Regulations. If any concerns are identified, consideration should be given to editing the Policy, as applicable. Any future requests for and reporting of military leave should be in compliance with the above referenced Policy and USERRA Regulations.

PAYROLL OPERATIONS

Board's Management Response: The Military Leave Policy will be reviewed and modified to be in compliance with the USERRA Regulations by April 2009.

BCC - Out of Title Work/Step-Up Pay Policy HR04-03

#: 7

Objective: Address compliance with the Board of County Commission's Out of Title Work/Step-Up Pay Policy HR04-03.

Discussion and Background: The above referenced Policy Section 3 states that out-of-title pay can only be for a defined period of time of greater than 30 days and less than six months (or 26 weeks). For a total of five (5) Board of County Commission employees (including fire and rescue personnel) who were identified as having received out-of-title pay during the test period, between January 1, 2007, and February 29, 2008, three (3) or 60% received out-of-title pay inconsistent with the Policy:

- Employee 1 – Was given out of title pay for 33 weeks and was still in the position at the time of testing.
- Employee 2 – Was given out of title pay for 58 weeks.
- Employee 3 – Was given out of title pay for 27 weeks.

Recommendation: Consideration should be given to consistently complying with the above referenced Policy.

Board's Management Response: The Out of Title Work/Step Up Policy was revised on August 19, 2008, and the reference to the six months was removed. However, the policy will be reviewed and modified to include a specific time period and to extend beyond that time would require approval from the Director of Human Resources and the County Administrator no later than July 2009.

BCC - Paid Time Off Policy HR05-14

#: 8

Objective: Address compliance with the Board of County Commission's Paid Time Off Policy HR05-14.

Discussion and Background: Of the 76 Board of County Commission employees in the sample, 21 took paid time off during the payroll period ending February 1, 2008. Consistent with the above referenced Policy Section A-3a, 95% completed a Leave Request Form and consistent with Section A-1d, all were employed for at least six months prior to taking this leave.

Recommendation: None

BCC - Vacation and Sick Leave Policy HR05-13

#: 9

Objective: Address compliance with the Board of County Commission's Vacation and Sick Leave Policy HR05-13.

Discussion and Background: For a population of 76 Board of County Commission employees, the Audit Team identified 21 who had taken vacation and/or sick leave during the payroll period ending February 1, 2008. Based upon testing, it appears that all 21 leave requests were in compliance with the above referenced Policy.

Recommendation: None

CCC - Compensation and Expenses Policy

#: 10

Objective: Address compliance with the Clerk of Circuit Court's Compensation and Expenses Policy.

Discussion and Background: The Audit Team identified one (1) Clerk employee from a sample of 16 who was reimbursed for training expenses incurred between January 1, 2007, and February 29, 2008. Consistent with the above referenced Policy, Section 2, this request was submitted on a Travel Reimbursement Form and it was approved by the employee's supervisor.

Recommendation: None

CCC - Employment and Separation Policy

#: 11

Objective: Address compliance with the Clerk of Circuit Court's Employment and Separation Policy.

Discussion and Background: An inquiry to the Payroll Supervisor found that of a sample of 16 Clerk employees, none had separated during the test period between January 1, 2007, and February 29, 2008. Due to a lack of items in the population, Policy compliance testing was not performed.

Recommendation: None

CCC - Holidays and Birthdays Policy

#: 12

Objective: Address compliance with the Clerk of Circuit Court's Holidays and Birthdays Policy.

Discussion and Background: The Audit Team reviewed a sample of 16 Clerk employees' payroll records for compliance with the above referenced Policy. No non-compliance concerns were identified.

Recommendation: None

CCC - Leave of Absence Policy

#: 13

Objective: Address compliance with the Clerk of Circuit Court's Leave of Absence Policy.

Discussion and Background: Of the 16 Clerk employees in the sample, three (3) claimed funeral leave and three (3) took paid time off during the test period of January 7, 2007, to February 29, 2008. All three (3) funeral leave claims and all three (3) paid times off appeared to be consistent with the above referenced Policy.

Recommendation: None

CCC - Overtime Pay and Policy

#: 14

Objective: Address compliance with the Clerk of Circuit Court's Overtime Pay and Policy.

Discussion and Background: For a sample of 16 Clerk employees, the Audit Team reviewed employee Time Card Reports and departmental Time and Attendance Sheets for the payroll periods ending January 29, 2008, February 7, 2008, and February 19, 2008. The Audit Team performed testing and found that the overtime claimed was in compliance with the above referenced Policy.

Recommendation: None

CCC - Work Hours Policy

#: 15

Objective: Address compliance with the Clerk of Circuit Court's Personnel Actions Work Hours Policy.

Discussion and Background: The Audit Team reviewed a sample of 16 Clerk employees' payroll records for compliance with the above referenced Policy and did not identify any material concerns.

Recommendation: None

CCC - Time Clock and Punctuality Policy

#: 16

Objective: Address compliance with the Clerk of Circuit Court's Time Clock and Punctuality Policy.

Discussion and Background: The Audit Team reviewed a sample of 16 Clerk employees' payroll records for the payroll period ending February 1, 2008, for compliance with four (4) key aspects of the above referenced Policy. No material non-compliance concerns were identified.

Recommendation: None

Contents on Employee Time Sheet

#: 17

Objective: Address whether employee daily timesheet forms contain the necessary items to be in compliance with applicable policies and good business practices.

Discussion and Background: For a sample of 88 Board and Clerk employees, the Audit Team reviewed employee daily timesheets and time clock cards for key components. Ninety-four percent (94%) of the documents reviewed contained the key components found in good record keeping and business practices. The remaining 6% (every one a Board time record document) lacked at least one of the following: a date, a space for clocking in and out during the shift (i.e., lunch break), a supervisor signature line, an employee signature line, or a place to record total hours per work week. (Per week total hour calculations are necessary for the identification and reporting of overtime hours.)

Recommendation: Consideration should be given to revising any Board employee daily time record (form/template) that lacks key record keeping components such as: a place to record the date, a space to record clocked in and out hours (beginning, during and ending of any shift), supervisor and employee signature lines, and a place to record the total hours worked for each of the two work weeks in any payroll period, in addition to a total for the entire payroll period.

Board's Management Response: This will be discussed at a future payroll clerk meeting with the goal of having every department (excluding the fire fighters) utilize the same form/template. Implementation of the new form will take place no later than July 2009.

Calculation of Hours

#: 18

Objective: Consider the accuracy of calculating daily hours claimed and carrying forward the information from the employee daily time record to the departmental Time and Attendance Sheets.

Discussion and Background: The Audit Team reviewed a sample of 88 Board and Clerk employees' payroll records for the payroll periods ending February 2, 2008, and January 22, 2008. If during this initial test, material mathematical/calculation errors or carry forward inaccuracies were identified for any employee, the Audit Team expanded testing of that employee's payroll records to the following two (2) payroll periods.

Based upon testing, it appears that in general, the employee daily time records reviewed were mathematically accurate and totals were correctly carried forward to departmental Time and Attendance Sheets. However, for some Board employees, exceptions were identified in at least two (2) of the three (3) payroll periods reviewed. See Objective 22 for expanded scope.

Recommendation: To better identify inaccuracies, consideration should be given to enhancing management's review and oversight of daily employee time records and Time and Attendance Sheets prior to approving them for payroll processing. Spot checks should be performed to identify errors. In addition, it may be advantageous for the Payroll Department and the Human Resources Department to provide routine payroll clerk workshops to fine tune payroll processing skills.

Board's Management Response: Human Resources and Payroll will conduct workshops with the payroll clerks to discuss the importance of accuracy and the need for review prior to approving them for payroll processing. Implementation of this will begin with the next scheduled Payroll Clerk meeting.

Clerk's Management Response: The Payroll Division routinely participates with Human Resources during payroll clerk workshops. For example, at the payroll workshop held May 2008, the Payroll Division created a timesheet with standard codes and reviewed how the timesheet would be properly prepared using those codes. The Payroll Division will continue this practice.

Address Finance Department, Human Resources Department and Payroll Clerk Concerns

#: 19

Objective: Identify and address any significant Finance Department, Payroll Department, payroll clerk and Human Resources personnel's (Board and Clerk) concerns.

Discussion and Background: During interviews and review of documents, the Audit Team addressed potential concerns as identified below:

1. Clerk employees stated that potentially, the time card punch system was not working as desired which resulted in missed time punches. Payroll Department personnel examined the cause of missed punches and found that they are caused by unintentional employee action rather than a system failure.
2. The Payroll Supervisor expressed possible concerns with exempt employees being charged leave time for partial day absences. Per the County Attorney's Office, this practice does not appear to present any legal concerns.

Recommendation: None

Employee Reclassification Process

#: 20

Objective: Address the strengths and weaknesses of the employee reclassification process.

Discussion and Background: Per current County practice, an Employee Reclassification is a process by which an employee's essential job duties are changed mid-budget cycle so as to require a modification of the paygrade associated with that position.

Based upon interviews with key personnel (Interim Human Resources Director and the Office of Management and Budget Director), it appears that the Board of County Commission does not have a written policy for mid-year reclassifications; mid-year reclassifications are rare; and only one was made between January 1, 2007, and August 20, 2008. Both persons interviewed cited that mid-year reclassifications were not standard practice and that there is no standard procedure (written or unwritten) of how mid-year reclassifications will be processed, if any. It should be noted that the one reclassification reviewed (to downgrade a position), was appropriately approved by the Board of County Commission.

The Clerk of Circuit Court does not appear to have a written policy for mid-year reclassification. This may be because, per the Administrative Services Manager, the Clerk of Circuit Court has not performed any mid-year reclassifications in recent years. Although this practice has not been performed, there is a clear unwritten procedure which requires the Clerk's approval to begin the process and to attain final approval. Specific guidelines provided in the Mercer Study are used with the process being driven primarily by the Administrative Services Manager.

Recommendation: Consideration should be given to determining whether mid-year reclassifications will or will not be the standard practice. If so, consideration should be given to standardizing the process, paper work flow, authorization controls, and supported by written policy.

Board's Management Response: It is current practice to plan for reclassifications during the budget process but we may need to create a policy with the caveat written in that due to unforeseen circumstances such as layoffs, employees may be moved to another position or be given additional/less job duties which may result in a mid-year reclassification.

Clerk's Management Response: Clerk mid-year reclassifications will be analyzed and consideration will be given to determine if they will or will not be the standard practice. Proper documentation will follow, supported by a written policy. This will be completed by April 2009.

Time Clock

#: 21

Objective: Identify automated payroll capture and recording options.

Discussion and Background: Per interviews with Technology Services, MIS, Payroll Department and Finance Department personnel in a joint effort, the Board of County Commission and the Clerk of Circuit Court recently purchased the Employee Access Center module for the existing SunGard Pentamation program. This module is expected to provide many functions including but not limited to: payroll data collection, record keeping/tracking, and dissemination of that information to employees. Due to this acquisition, it appears that steps will be taken to further automate the payroll process and to eliminate or minimize manual data collection, reporting, and processing.

Recommendation: Considerations should be given to addressing the concerns and recommendations contained in this report during the initial setup and implementation of the Employee Access Center module.

Clerk's Management Response: Concerns expressed in this audit will be considered during the implementation of the Employee Access Center module of the software. It is anticipated that the implementation of the Employee Access Center will be completed by June 2009.

Animal Services Expanded Scope

#: 22

Objective: Due to the identification of multiple payroll errors and irregularities found during testing of Objective #18, the Audit Team expanded the scope of work and considered the accuracy of recording and calculating daily hours claimed for an Animal Services Department Kennel Worker whose payroll records required further scrutiny.

Discussion and Background: The Audit Team reviewed the Kennel Worker's time keeping records for the payroll periods ending January 18, 2008, through August 20, 2008, and looked for any calculation errors, irregularities, or potential fraudulent activities. The Audit Team identified 23 exceptions during this seven (7) month period. In an attempt to determine if these exceptions were just sloppy record keeping or something more serious, the Audit Team reviewed the Animal Services and Technology Services Departments' electronic time stamped records and compared them to the employee's daily time sheets. For a majority of the workdays in question, the Audit Team was able to reasonably estimate when the Kennel Worker actually worked. Based upon this review, it is more likely that the exceptions are a result of sloppy record keeping rather than fraudulent activities.

Based upon testing, it is evident that the Kennel Worker's Employee Time Sheets contain errors which have made the Animal Services Department's Time and Attendance Sheets unreliable. The data indicates a complete breakdown in the payroll clerk and management oversight controls.

It should be noted that during fieldwork management committed in writing to strengthening its internal controls.

Recommendation: Due to the extent of the control failures, it is highly recommended that management take immediate corrective action to strengthen the Animal Services Department's payroll control environment by enhancing the quality of the review and approval process. In addition, management should stress to its personnel that sloppy and unreliable time records will not be tolerated.

Board's Management Response: The Department Manager in Animal Services stated that she is now personally reviewing the time sheets and this has been addressed.

Payroll Clerk Payroll Document Tamper Test

#: 23

Objective: Consider if there is any evidence that suggests that any payroll clerk may have tampered with any approved Time and Attendance Sheet as a means of committing fraudulent acts.

Discussion and Background: To select the sample, the Audit Team utilized Payroll Department records to identify which payroll clerks were paid at least 100 hours of overtime during the 14 month periods ending February 29, 2008, for Board payroll clerks, and March 6, 2008, for Clerk payroll clerks. Only four (4) Board payroll clerks earned at least 100 hours of overtime. The Audit Team reviewed these payroll clerks' departmental Time and Attendance Sheets for the payroll periods ending December 2, 2007, and December 16, 2007. The Audit Team did not identify any evidence that suggested tampering with payroll clerk's hours on Time and Attendance Sheets.

The Audit Team also considered the control environment and did not identify any control that safeguards against a payroll clerk altering hours claimed (i.e., change his/her vacation hours to regular or adding overtime hours claimed) on Time and Attendance Sheets subsequent to Department Director approval and preceding Payroll Department processing. The concern is that a payroll clerk could essentially commit fraudulent acts that may go undetected.

Recommendation: Supervisors/directors should not return approved Time and Attendance Sheets to payroll clerks subsequent to Payroll Department processing.

Board's Management Response: For audit control purposes, we will inform the department supervisor/directors to transmit completed summary time sheets to Payroll by the most tamper-proof method available (i.e. hand delivery by director, in sealed envelope, fax or e-mail to payroll with original document inter-office mailed to payroll, etc). This is intended to be a temporary corrective action. When the Employee Access Center is implemented, it is anticipated that the authorization and the tamper resistant controls will be automated.