



**FULTON
COUNTY**

**FULTON COUNTY, GEORGIA
OFFICE OF THE COUNTY AUDITOR
Payroll Process Review
April 15, 2022**

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INTRODUCTION

In accordance with the 2021 approved Audit Plan, the Office of the County Auditor performed a review of the payroll process, administered by the County's Department of Human Resources and the Department of Finance.

BACKGROUND

The Department of Human Resources (HR) and the Department of Finance are responsible for carrying out the County's payroll process. The Department of Human Resources is responsible for recruiting and hiring, creating, maintaining and approving personnel records, tracking of hours; to include hours worked, compensatory, overtime and leave of absence for County employees and many other tasks.

The Department of Finance Payroll and Benefits Division is responsible for processing twenty-six (26) payrolls annually for the County. They are also responsible for the input of tax withholdings and benefit elections selected by employees, in addition to ensuring that proper deductions are withheld from each employee's paycheck. The department is also responsible for the filing of State and Federal tax returns and the payment of taxes.

During 2020, the Kronos time-keeping system was utilized by all County departments. The workforce consisted of over five-thousand (5,000) permanent and temporary employees. Both the Department of Human Resources and the Department of Finance aim to ensure the payroll process is accurate and timely, in accordance with laws, regulations, and policies and procedures. Employees are also encouraged to review their pay advice in Employee Self Service (ESS) to ensure payment as well as deductions are correct.

OBJECTIVE

The objectives of the review were to determine the accuracy of the County's payroll process. In addition, we evaluated the adequacy of controls over the payroll process and determined whether those controls were operating effectively.

SCOPE

The scope of the audit was from January 1, 2020 through December 31, 2020.

METHODOLOGY

We conducted this audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient,

appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

To achieve our audit objectives, we performed the following audit procedures:

- Conducted interviews with key staff to determine the established processes and procedures related to the payroll process, as well as, identified internal controls implemented;
- Reviewed flowcharts and other documentation related to internal controls over the payroll process;
- Reviewed departmental organizational charts;
- Performed walkthroughs to observe key processes and procedures related to the payroll process;
- Reviewed the Personnel Policies and Procedures;
- Reviewed the 2020 Budget with Actuals Report;
- Obtained a list of employees from January 1, 2020 to December 31, 2020;
- Reviewed payroll for ghost employees;
- Reviewed a sample of terminated employees to verify proper termination of payments;
- Reviewed a sample of part-time employees to verify hours were within County policies and State guidelines;
- Obtained the 2020 Pay and Holiday Calendars; and
- Traced payroll registers to deduction registers, bank deposit registers and general ledger.

In addition, we randomly selected a sample of two-hundred and fifty (250) employees from a total population of five-thousand one-hundred and eighty-eight (5,188); we then a selected a sample of ten (10) pay periods and verified the following:

- Time in kronos was approved by supervisor
- Pay was calculated accurately and at the correct pay rate
- Benefits and/or deductions were accurate based on employee elections

We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our findings and recommendations are detailed below.

FINDINGS AND RECOMMENDATIONS

Finding 1 – No Approval for Time in Kronos

Timekeeping is essential to the payroll process. It is important to maintain a record of time for each employee, in addition to ensuring the time is properly approved and accurate. The Department of Human Resources recommends that all timecards be approved by the respective manager and/or supervisor. The timecard can also be approved by the HR Liaison for each department. Employees that are not required to enter time on a daily basis are required to enter leave requests in Kronos for approval. During our review of timecards, we noted four (4)

timecards out of two-hundred and fifty (250) were not approved. As a result, we were unable to determine the accuracy of these four (4) timecards. We were informed by management that notification has gone out to inform County employees of this requirement, however, not including a best practice as part of the policies and procedures may make it difficult to enforce. Failure to approve timecards may lead to the unauthorized payment of wages, inaccurate time records and inaccurate leave balances.

Recommendation

We recommend the Department of Human Resources re-emphasize the requirement for timecard approval and include this information in the County's Personnel Policies and Procedures to ensure that all departments approve timecards for each pay cycle. It is imperative that every department adhere to the approval process to ensure all time is accurate and properly approved in an effort to maintain compliance with County policies and procedures and the integrity of the payroll process.

Finding 2 – Lack of Supporting Documentation for Overtime

Pursuant to the County's Personnel Policies and Procedures, the payment of overtime is not allowed without the prior written approval of the Department Head and County Manager. Fair Labor Standards require employers to preserve records related to the computation of wages, additions to or deductions from pay for two years. During our review of the two-hundred and fifty (250) payroll samples, we noted seven (7) employees were paid overtime, "other pay" or additional hours, although no supporting documentation was provided. We were informed that the HR department receives approval from the respective departments in order to enter the time into the system, but documentation was not maintained during this time. Failure to maintain supporting documentation may lead to questions regarding transactions, the inability to validate hours worked, unauthorized payment of wages, unexpected budget increases and/or shortfalls, and violation of the Fair Labor Standards Act.

Recommendation

We recommend the Department of Human Resources obtain the required written approval and implement an efficient process to ensure that documentation is properly maintained to support overtime and other payments. In addition, we recommend County departments be required to review their budget prior to assigning overtime to verify the availability of funds.

Finding 3 – Part-Time Hours

Part-time positions may not work more than 29 hours per week, or in excess of 130 hours per calendar month as noted in the County's Personnel Policies and Procedures. We reviewed a sample of twenty-five (25) part-time employees and discovered that one (1) employee worked

138:48 hours during the month of January, 2020. We were informed that each department is responsible for tracking part-time hours to ensure the maximum hours are not exceeded. Failure to ensure the allowed hours are not exceeded may result in unauthorized wages, unexpected budget increases, the delay or obstruction of employee benefits, noncompliance with County policies and Federal laws.

Recommendation

We recommend the Department of Human Resources reiterate the policy related to part-time hours to the various County departments to ensure that employees do not exceed the allowed hours and encourage departments to re-evaluate part-time status of employees on a routine basis. Furthermore, it is necessary for all departments to adhere to the County's policies and procedures to ensure compliance with applicable laws and regulations.

Finding 4 – Manual Processes

The review of business processes should be performed periodically to identify inefficiencies, streamline processes and optimize productivity. Both the Department of Human Resources and the Department of Finance have a number of manual processes involved in the payroll process. There have been instances where requests for changes in benefits were overlooked, benefit elections not processed within a timely manner, incorrectly interrupted and other related errors. Human error is always a factor in a manual process and employees are not always diligent in reviewing their pay checks for errors before payroll is processed. The reliance on manual entries are cumbersome, time consuming and may be problematic if the intended results are not accomplished. Automated processing would reduce the risk of errors and increase operational efficiency.

Recommendation

We recommend both the Department of Human Resources and the Department of Finance review manual processes, research avenues to reduce errors and increase overall efficiency to include automation of manual processes.

Concern 1 – Review of Payroll Check Registers

According to the County's Policies and Procedures, appointing authorities shall certify on each payroll that all persons whose names appear on said payroll have been lawfully appointed and have worked the time that they are being paid for, or were authorized leave with pay. It was brought to our attention by management that all departments were not certifying the payroll as required. Not adhering to this practice increases the likelihood of errors to go undetected.

Recommendation

We recommend enforcement of the policy requiring the certification of each payroll by an appointing official in an effort to reduce errors. We also plan to review this concern at a later date.

Concern 2 – Lack of Flexibility to Correct Payroll Errors

Payroll errors should be corrected immediately to avoid delay in payment of wages, taxes and other payroll related expenses. Last minute errors may be discovered prior to processing payroll although, the Human Resources Information System (HRIS) or (CGI) does not provide adequate flexibility to allow HR and Finance to manually correct payroll errors after the administratively established deadline to ensure the impacted employee(s) can receive a paycheck. This lack of flexibility has led to employees waiting an additional two (2) weeks before being paid. This delay creates significant financial hardship, frustrated and disgruntled employees, the potential for low morale and possible employee turnover.

Recommendation

We recommend both departments collaborate and explore optional systems that will allow for greater flexibility to address last minute errors, while still remaining in alignment with IRS regulations.

Concern 3 – Data Entry Duplication

Seamless communication between HR systems is beneficial and allows for the elimination of dual entries and data accuracy across operating systems. NeoGov, HR's core recruitment and position authorization approval system, does not communicate with the County's core HRIS system. This requires HR staff to perform manual data entry of all applicant information that has already been captured. The requirement to re-key all data, creates a potential for data entry errors and places an undue burden on staff.

Recommendation

We recommend the department explore enterprise-wide solutions with the capability of integrating the onboarding system and CGI in an effort to create a smoother onboarding process and minimize, if not eliminate repetitive data entry.

Concern 4 – Position Control

Currently, position control (create, un-fund, fund and abolish positions) is executed by HR via requests submitted in Remedy Force by either the Budget Office or County departments. In some instances, this requires updating several screens within the HRIS system to complete one

transaction. This creates increased opportunity for errors and could potentially lead to inaccurate position counts and resources. Additionally, with HR handling all aspects of position control while, at the same time, being responsible for salary adjustments, new hire entry, promotions, etc. as it leaves the County without an adequate level of review.

Recommendation

A further review of processes and systems should be performed to identify solutions that would provide adequate review of transactions, streamline processes and allow for timely updates.

CONCLUSION

Based on the audit performed, the payroll process appears to be operating effectively and efficiently. However, we have identified the following four (4) findings and four (4) concerns that require the attention of management:

- No Approval for Time in Kronos;
- Lack of Supporting Documentation for Overtime or Other Pay;
- Part-Time Hours; and
- Manual Processes

Additionally, we noted the following four concerns:

- Review of Payroll Check Registers
- Lack of Flexibility to Correct Payroll Errors
- Data Entry Duplication; and
- Position Control

We encourage management to strengthen and improve internal controls and revisit processes to ensure payroll is accurate and timely in accordance with laws, regulations, County policies and procedures.

Please provide a written response to this audit within ten (10) business days. Be sure to address the written response to Anthony Nicks, County Auditor. The written response should be submitted through the County Manager's Office and to Joi Hargis, Audit Coordinator, in the Office of the County Auditor at joi.hargis@fultoncountyga.gov. We would like to thank management and staff for their timely cooperation and assistance during this audit. The distribution of this report is reserved for the executive management of Fulton County and the Board of Commissioners.