



INTERNAL AUDIT DEPARTMENT



Internal Control Audit: Social Services Agency Payroll Process

For the Year Ended September 30, 2018

Audit No. 1814
Report Date: June 18, 2019

Number of Recommendations



**Critical Control
Weaknesses**



**Significant Control
Weaknesses**



Control Findings

OC Board of Supervisors

Chairwoman Lisa A. Bartlett
5th District

Vice Chair Michelle Steel
2nd District

Supervisor Andrew Do
1st District

Supervisor Donald P. Wagner
3rd District

Supervisor Doug Chaffee
4th District



INTERNAL AUDIT DEPARTMENT

Internal Control Audit:
Social Services Agency
Payroll Process

June 18, 2019

AUDIT HIGHLIGHTS

SCOPE OF WORK	Perform an Internal Control Audit of Social Services Agency's (SSA) payroll process for the year ended September 30, 2018.
RESULTS	<ul style="list-style-type: none"> We found that SSA's internal control over the payroll process was generally effective to ensure payroll (including payroll changes and premium pay) was complete, accurate, valid, timely, and in accordance with department procedures and management's authorization. We found that the payroll process was generally efficient.
RISKS IDENTIFIED	Not applicable as there were no findings requiring corrective action.
NUMBER OF RECOMMENDATIONS	Our audit did not reveal any opportunities for enhancing internal control related to the business process and scope reviewed.
 CRITICAL CONTROL WEAKNESSES	
 SIGNIFICANT CONTROL WEAKNESSES	
 CONTROL FINDINGS	

Report suspected fraud, or misuse of County resources by vendors, contractors, or County employees to 714.834.3608



INTERNAL AUDIT DEPARTMENT

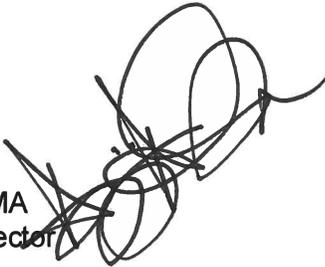
Audit No. 1814

June 18, 2019

To: Debra J. Baetz, Director
Social Services Agency

From: Aggie Alonso, CPA, CIA, CRMA
Internal Audit Department Director

Subject: Internal Control Audit:
Social Services Agency Payroll Process



We have completed an Internal Control Audit of Social Services Agency's (SSA) payroll process for the year ended September 30, 2018. Details of our results immediately follow this letter. Additional information including background and our objectives, scope, and methodology are included in Appendix A.

Results of this audit will be included in a future status report submitted quarterly to the Audit Oversight Committee and the Board of Supervisors. Additionally, we will request your department complete a Customer Survey of Audit Services, which you will receive shortly after the distribution of our final report.

We appreciate the courtesy extended to us by SSA's personnel during our audit. If you have any questions regarding our audit, please contact me at 714.834.5475 or Scott Suzuki, Assistant Director, at 714.834.5509.

Attachments

Other recipients of this report:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- Social Services Agency Distribution
- Foreperson, Grand Jury
- Robin Stieler, Clerk of the Board of Supervisors
- Vavrinek, Trine, Day & Co., LLP, County External Auditor

RESULTS

BUSINESS PROCESS & INTERNAL CONTROL STRENGTHS

Business process and internal control strengths noted during our audit include:

- ✓ The department follows Auditor-Controller (A-C) policy and procedures, as well as internal procedures for processing payroll.
- ✓ Personnel, timekeeping, and payroll processing duties are properly segregated.
- ✓ Employee timecards are certified online, approved by the supervisor, and workflowed through the automated Virtual Timecard Interface (VTI) system.
- ✓ Missing Timecards reports are run in VTI to track missing timecards. A final Missing Timecards report is run to ensure all timecards are submitted prior to final upload.
- ✓ Reminder e-mails are sent out to supervisors in case of missing timecards to meet payroll deadlines.
- ✓ Errored Timecards reports are run to account for timecard errors automatically detected by VTI. A final Errored Timecards report is run to ensure all errors are resolved prior to final upload to A-C Information Technology (A-C IT).
- ✓ Timecard errors are investigated and resolved by obtaining supporting documentation or contacting the employee's supervisor and obtaining written authorization.
- ✓ Timecard Audit reports are reviewed by the Payroll Supervisor to monitor for unauthorized changes to payroll.
- ✓ The Hours by Pay Code report is reviewed regularly for several pay codes.
- ✓ An Upload Summary report is reviewed prior to the final upload that lists the count of all employees from all pay locations and type of pay codes used.
- ✓ Timecards are uploaded timely to A-C IT on a bi-weekly basis.
- ✓ A monthly reconciliation is prepared to ensure payroll transactions are properly recorded.



INTERNAL AUDIT DEPARTMENT

FINDINGS	No findings were identified in this audit.
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AUDIT TEAM	Scott Suzuki, CPA, CIA, CISA Michael Dean, CPA, CIA, CISA Gianne Acosta, CIA	Assistant Director Senior Audit Manager Audit Manager
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INTERNAL AUDIT DEPARTMENT

APPENDIX A: ADDITIONAL INFORMATION

OBJECTIVES	<p>Our audit objectives were to:</p> <ol style="list-style-type: none">1. Assess internal control over payroll processing (including payroll changes and premium pay) to ensure payroll is complete, accurate, valid, timely, and in accordance with department procedures and management's authorization.2. Review the payroll process for efficiency.
SCOPE & METHODOLOGY	<p>Our audit scope was limited to internal control over SSA's payroll process for the year ended September 30, 2018. Our methodology included inquiry, observation, examination of documentation, and testing of relevant transactions.</p>
EXCLUSIONS	<p>Our audit scope did not include a review of controls over Human Resources functions or systems used to process payroll. Additionally, we did not review processes pertaining to payroll withholdings, disbursements to other agencies, check printing, timekeeping, or payroll information system controls.</p>
PRIOR AUDIT COVERAGE	<p>We have not issued any audit reports for SSA with a similar scope within the last ten years.</p>
BACKGROUND	<p>SSA's payroll is performed by the Payroll team under the SSA Accounting Services Unit staffed by the Auditor-Controller. SSA uses Virtual Timecard Interface (VTI) to process payroll on a bi-weekly basis for approximately 4,300 employees.</p> <p>During the audit period, total gross pay for SSA employees was approximately \$377 million.</p>



INTERNAL AUDIT DEPARTMENT

PURPOSE & AUTHORITY	We performed this audit in accordance with the Annual Risk Assessment & Audit Plan for FY 2018-19 approved by the Audit Oversight Committee (AOC) and Board of Supervisors (Board).
PROFESSIONAL STANDARDS	Our audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing issued by the International Internal Audit Standards Board.
FOLLOW-UP PROCESS	<p>In accordance with professional standards, the Internal Audit Department has a process to follow-up on its recommendations. A first follow-up audit will generally begin six months after release of the initial report.</p> <p>The AOC and Board expect that audit recommendations will typically be implemented within six months or sooner for significant and higher risk issues. A second follow-up audit will generally begin six months after release of the first follow-up audit report, by which time all audit recommendations are expected to be implemented. Any audit recommendations not implemented after the second follow-up audit will be brought to the attention of the AOC at its next scheduled meeting.</p> <p>This audit does not contain any recommendations; therefore, a follow-up audit will not be performed.</p>
MANAGEMENT'S RESPONSIBILITY FOR INTERNAL CONTROL	In accordance with the Auditor-Controller's County Accounting Manual Section S-2 Internal Control Systems: "All County departments/agencies shall maintain effective internal control systems as an integral part of their management practices. This is because management has primary responsibility for establishing and maintaining the internal control system. All levels of management must be involved in assessing and strengthening internal controls." Control systems shall be continuously evaluated by Management and weaknesses, when detected, must be promptly corrected. The criteria for evaluating internal controls is the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework. Our Internal Control Audit enhances and complements, but does not substitute for department management's continuing emphasis on control activities and monitoring of control risks.
INTERNAL CONTROL LIMITATIONS	Because of inherent limitations in any system of internal control, errors or irregularities may nevertheless occur and not be detected. Specific examples of limitations include, but are not limited to: resource constraints, unintentional errors, management override, circumvention by collusion, and poor judgment. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate. Accordingly, our audit would not necessarily disclose all weaknesses in the department's operating procedures, accounting practices, and compliance with County policy.

