

AUDIT TEAM

Jim Williamson, CPA, CIA, City Auditor
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**CITY-WIDE PAYROLL PROCESSING
FOLLOW-UP AUDIT**

FEBRUARY 26, 2019

MAYOR AND CITY COUNCIL

| | |
|--|---------------------------------------|
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| <i>Ed Shadid</i> | <i>Ward 2</i> |
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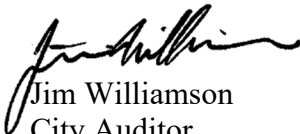
February 26, 2019

The Mayor and City Council:

The Office of the City Auditor has completed an audit to evaluate the status of City-wide payroll processing recommendations and related management responses included in our previous report dated August 16, 2016.

In our 2016 follow-up audit, we determined that these recommendations (included in our 2011 audit report) had been partially implemented. Based upon the results of our current audit, *we believe that, as of December 31, 2018, the unresolved City-wide payroll processing recommendations included in our 2016 follow-up audit report remain partially implemented.*

The content and emphasis of the items included in this report have been discussed with appropriate management representatives to assure a complete understanding of the observations arising from our audit. Management responses are attached to this report in their entirety.


Jim Williamson
City Auditor


Brett Rangel
Audit Manager


Tim Alvarez
Senior Auditor

**CITY-WIDE PAYROLL PROCESSING
FOLLOW-UP AUDIT**

AUDIT OBJECTIVE, BACKGROUND, SCOPE AND METHODOLOGY

The objective of this audit was to evaluate the status, as of December 31, 2018, of the City-wide payroll processing recommendations and related management responses included in our follow-up audit report dated August 16, 2016¹. That report included the following results:

- Unresolved recommendations relating to City-wide payroll processing included in our 2011 audit report had been partially implemented.

Payroll and related personnel costs for the City's 4,804 authorized positions² are the single largest expenditure for the City, representing 71% of the \$701 million operating budget. Certain payroll-related responsibilities such as new employee set-up and employee terminations; administering system access settings; and monitoring data accuracy are handled in the Finance Department's Payroll Division, the Personnel Department's HRIS Division, and the Information Technology Department's Enterprise Applications Division.

Procedures performed during this audit include interviewing management personnel and reviewing account setup, access profiles, and monitoring procedures for the City's payroll system (Kronos) and financial system (PeopleSoft).

We conducted this performance audit in accordance with generally accepted government auditing standards. 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The following section of this report presents the status of prior City-wide payroll processing audit recommendations. Each status is followed by management's response. Management's responses are attached to this report in their entirety.

¹ The 2016 follow-up audit was the second such audit following the original report in 2011. The first follow-up audit was performed in 2013.

² FY 2018-2019 Adopted Budget – The City of Oklahoma City.

STATUS OF CITYWIDE PAYROLL PROCESSING RECOMMENDATIONS

Unresolved City-wide payroll processing recommendations included in our previous follow-up audit report remain partially implemented.

Status of Recommendation 1 – Partially Implemented

Our previous follow-up audit report included the phrase “generic Kronos user accounts” to contrast with “employees’ primary accounts”. However, the word *generic* included both *shared superuser* and/or *secondary* user accounts. The following table separates these generic accounts to clarify the exception report recommendations addressed during our previous follow-up audits and still outstanding as of December 31, 2018.

| HISTORICAL SUMMARY OF RECOMMENDATIONS AND STATUSES | | Performed by employees using a: | | |
|--|--|---------------------------------|-------------------------------|-------------------------------|
| | | (A) | (B) | (C) |
| Exception reports identifying: | | Primary Account | Shared Account | Secondary Account |
| (1) | Self-approval of timecards | ADDRESSED 2013 | ADDRESSED 2016 | CONTINUING TO ADDRESS 2018 |
| (2) | Self-edit of timecards after supervisor’s approval | ADDRESSED 2013 | ADDRESSED 2018 | CONTINUING TO ADDRESS 2018 |
| (3) | Modifying one’s own leave balance | CONTINUING TO ADDRESS 2018 | CONTINUING TO ADDRESS 2018 | CONTINUING TO ADDRESS 2018 |

During our 2013 follow-up audit, we verified that exception reports had been created and were being used to ensure (1) self-approvals and (2) self-edits of timecards using a (A) primary employee account were valid.

During our 2016 follow-up audit, we verified that an exception report identifying (1) self-approvals of timecards using a (B) shared Kronos user account had been created and was reviewed by the Payroll Supervisor. An exception report to identify and review (3) modifications to one’s own leave balance using a (A) primary employee account had been created but was not used because it did not sufficiently identify true exceptions.

As of December 31, 2018, we verified that an exception report identifying (2) self-edits to timecards using a (B) shared Kronos user account had been created and was reviewed by the Payroll Supervisor. **However, exception reports had not been completed to identify and review (3) modifications to one’s own leave balance or (C) secondary account activity.**

Information Technology Department Response 1

Agree – I.T. has the following related project #72209 Exception reports had not been completed to identify and review (3) modifications to one’s own leave balance or (C) secondary account activity, this project is in process. (3) I.T. is currently developing a report and will work with Finance to validate

results. The validated report will reside on Reporting Services for Finance's ongoing review. Estimated completion date 3rd quarter FY19. (C) I.T. is currently developing two reports; 1) identify all Secondary Accounts 2) monitor activity of Secondary Accounts. I.T. will work with Finance to validate results. The validated report will reside on Reporting Services for Finance's ongoing review. Estimated completion date 3rd quarter FY19.

Finance Department Response 1

Agree with recommendation. The payroll unit will continue to work with IT on the development of a report that gives only the specific information required in the City Auditor's recommendation. We anticipate this being resolved with IT by June 30, 2019.

Status of Recommendation 2 – Partially Implemented

During our 2013 follow-up audit, we verified that shared and secondary PeopleSoft user accounts allowing self-edit of pay rates and bypass of segregation controls over adding employees, setting compensation, and initiating or routing payments had been disabled to the extent possible. We also verified that exception reports had been developed and were being used to monitor shared and secondary user account login activity. However, these exception reports were not periodically modified to incorporate new shared and secondary user accounts; and they were not being reviewed by an independent employee (without access to the shared and secondary user accounts).

During our 2016 follow-up audit, we determined the status of this recommendation has not changed since the 2013 follow-up audit.

As of December 31, 2018, we determined the status of this recommendation has not changed since the 2013 follow-up audit: **The exception reports were not periodically modified to incorporate new shared and secondary user accounts; and they were not being reviewed by an independent employee (without access to the shared and secondary user accounts).**

Information Technology Department Response 2

Agree – I.T. has the following related project #72209 Exception reports were not periodically modified to incorporate new shared and secondary user accounts; and they were not being reviewed by an independent employee (without access to the shared and secondary user accounts), this project is in process. Estimated completion date 4th quarter FY19.



MEMORANDUM

The City of
OKLAHOMA CITY



TO: Jim Williamson, City Auditor

THROUGH Craig Freeman, City Manager *CF*

FROM: Schad Meldrum, I.T. Director *WSM*

DATE: January 31, 2019

SUBJECT: Response to Auditors City-Wide Payroll Processing Follow-Up Audit

I.T.'s Response to Auditors "City-Wide Payroll Processing Follow-Up Audit As of December 31, 2018.

Recommendation 1

Agree – I.T. has the following related project #72209 *Exception reports had not been completed to identify and review (3) modifications to one's own leave balance or (C) secondary account activity*, this project is in process. (3) I.T. is currently developing a report and will work with Finance to validate results. The validated report will reside on Reporting Services for Finance's ongoing review. Estimated completion date 3rd quarter FY19. (C) I.T. is currently developing two reports; 1) identify all Secondary Accounts 2) monitor activity of Secondary Accounts. I.T. will work with Finance to validate results. The validated report will reside on Reporting Services for Finance's ongoing review. Estimated completion date 3rd quarter FY19.

Recommendation 2

Agree – I.T. has the following related project #72209 *Exception reports were not periodically modified to incorporate new shared and secondary user accounts; and they were not being reviewed by an independent employee (without access to the shared and secondary user accounts)*, this project is in process. Estimated completion date 4th quarter FY19.



MEMORANDUM

The City of
OKLAHOMA CITY



TO: Jim Williamson, City Auditor

THROUGH: Craig A. Freeman, City Manager *CF*

FROM: Kenton E. Tsoodle, Interim Finance Director *KT*

DATE: January 23, 2019

SUBJECT: 18-06A-City Wide Payroll Processing Follow-up Audit

The following is managements response to the recommendation outlined in the recent follow-up audit of City Wide Payroll Processing.

1. Agree with recommendation. The payroll unit will continue to work with IT on the development of a report that gives only the specific information required in the City Auditor's recommendation. We anticipate this being resolved with IT by June 30, 2019.

Thank you for your professional review of this program.