

STATE OF NEVADA
LEGISLATIVE COUNSEL BUREAU

LEGISLATIVE BUILDING
401 S. CARSON STREET
CARSON CITY, NEVADA 89701-4747
Fax No.: (775) 684-6600



LEGISLATIVE COMMISSION (775) 684-6800
JOHN OCEGUERA, *Assemblyman, Chairman*
Lorne J. Malkiewich, *Director, Secretary*

INTERIM FINANCE COMMITTEE (775) 684-6821
BERNICE MATHEWS, *Senator, Co-Chair*
STEVEN HORSFORD, *Senator, Co-Chair*
Mark Krmptic, *Fiscal Analyst*
Tracy W. Raxter, *Fiscal Analyst*

LORNE J. MALKIEWICH, *Director*
(775) 684-6800

BRENDA J. ERDOES, *Legislative Counsel* (775) 684-6830
PAUL V. TOWNSEND, *Legislative Auditor* (775) 684-6815
DONALD O. WILLIAMS, *Research Director* (775) 684-6825

Legislative Commission
Legislative Building
Carson City, Nevada

We have completed an audit of the Department of Personnel, Statewide Payroll System. This audit is part of the ongoing program of the Legislative Auditor as authorized by the Legislative Commission. The purpose of legislative audits is to improve state government by providing the Legislature, state officials, and Nevada citizens with independent and reliable information about the operations of state agencies, programs, activities, and functions. The results of our audit, including findings, conclusions, recommendations, and the Department's response, are presented in this report.

We wish to express our appreciation to the management and staff of the Department of Personnel for their assistance during the audit.

Respectfully presented,

A handwritten signature in black ink, appearing to read "Paul V. Townsend".

Paul V. Townsend, CPA
Legislative Auditor

February 3, 2010
Carson City, Nevada

STATE OF NEVADA
DEPARTMENT OF PERSONNEL
STATEWIDE PAYROLL SYSTEM

AUDIT REPORT

Table of Contents

	<u>Page</u>
Executive Summary	1
Introduction	6
Background	6
Scope and Objective	7
Findings and Recommendations	8
Payroll Controls Could Be Improved	8
Payroll Transactions Not Always Correct or Properly Documented	8
Overtime and Leave Approval Could Be Improved	10
Variable Workday Agreements Not Always on File	10
Enhanced Training Could Improve Controls	11
Information Technology Controls Could Be Improved	13
Background Investigations Not Always Completed	13
Security Awareness Documents Not Signed	13
Appendices	
A. Audit Methodology	15
B. Response From the Department of Personnel	17

EXECUTIVE SUMMARY

DEPARTMENT OF PERSONNEL STATEWIDE PAYROLL SYSTEM

Background

The Department of Personnel is established and governed by Chapter 284 of the Nevada Revised Statutes. It is comprised of the Director's Office and four divisions: Administrative Services, Employee and Management Services, Compensation and Classification, and Recruitment and Retention. Responsibility for administering the central payroll system resides with the Administrative Services Division. Within this division, the central payroll system serves most state employees and has its roots in the development of a statewide integrated system referred to as the Integrated Financial System.

The Integrated Financial System, Human Resources component is comprised of the Human Resources Data Warehouse (HRDW) and Nevada Action and Timekeeping System (NEATS). The HRDW is a data warehouse repository which provides information in the areas of payroll accounting research, employee paycheck history, time and leave analysis, employee rosters and transaction history, overtime analysis, state workforce demographics, and training course evaluations. NEATS is an online intranet-based system that allows employees to directly enter personal information. The Department plans future enhancements to NEATS that will add greater functionality.

Purpose

The purpose of this audit was to determine if the Statewide Payroll System has sufficient controls to provide reasonable assurance that payroll transactions are correct, properly authorized, and supported. This audit included a review of the statewide payroll transactions occurring during the fiscal year ended June 30, 2008.

EXECUTIVE SUMMARY

DEPARTMENT OF PERSONNEL STATEWIDE PAYROLL SYSTEM

Results in Brief

Overall, internal controls associated with the statewide payroll system are sufficient to provide reasonable assurance that payroll transactions are correct, properly authorized, and supported. However, we did note areas where improvements are needed.

Specifically, certain payroll transactions were not always correct or properly documented, and overtime and annual leave were not always approved in advance. In addition, agreements required to work variable work schedules were not always on file, and many employees who prepare payroll and records forms did not receive required certification training in a timely manner, or at all. As a result, there is an increased risk of incorrect or improper payments. Finally, Department employees and independent contractors in sensitive information technology positions did not always receive required background investigations and security awareness training. This could result in increased risk of inappropriate access to sensitive data.

Principal Findings

- Employees were not always paid correctly and timesheets were not always prepared properly. Nine of 80 payroll payments tested contained minor errors, consisting of both overpayments and underpayments. These included incorrect reporting of pay transactions, payment at incorrect rates, and errors in applying shift differential and overtime. Five of the errors were identified and corrected by Payroll staff while four were not corrected. Also, two timesheets had insufficient information for us to determine if the payments were correct. The Department uses various training, policies and procedures, and regulations to ensure proper controls are in place.

EXECUTIVE SUMMARY

DEPARTMENT OF PERSONNEL STATEWIDE PAYROLL SYSTEM

However, these controls did not always work. As a result, some employees were incorrectly paid. Also, Payroll staff had to spend additional time researching and correcting errors. (page 8)

- Twenty-three of 80 (29%) timesheets lacked evidence of advance approval of overtime and annual leave. In some cases, the overtime and leave requests were missing and in others, supervisors did not approve them timely. Advance approval of overtime and leave is required by law and regulation. Without advance approval, management risks losing a certain degree of control over operations, overtime usage, and staffing needs of the agency. (page 10)
- Nine of 49 (18%) employees tested, who worked variable schedules, did not have required variable workday agreements on file. Without signed and approved agreements, it would be difficult to prove that these employees are in compliance with federal labor laws. This increases the risk that an employee could challenge the State for additional overtime compensation. (page 10)
- Not all employees authorized to sign key Records section and Payroll section forms received the required training and certification to do so. Certification involves attending training classes offered by the Records and Payroll sections of the Department of Personnel. Forty-nine of 64 (77%) employees tested did not have proper certification for preparing Records forms. In addition, 52 of 70 (74%) employees tested did not have proper certification for preparing Payroll forms. State regulations require these state employees to be certified. The certification must be obtained within 6 months of appointment and recertification must be maintained every two years. Without appropriate and timely training there is an increased risk that payroll and personnel actions will not be complete and accurate. (page 11)

EXECUTIVE SUMMARY

DEPARTMENT OF PERSONNEL STATEWIDE PAYROLL SYSTEM

- The Department did not conduct background investigations for 26 of the 32 employees and 4 of 5 contractors who were determined to be in sensitive positions, as required by state information technology standards. Without proper background checks, there is an increased risk that unsuitable individuals could gain access to sensitive information, use it inappropriately, or destroy it. (page 13)
- We found no evidence that any of the five contractors who had access to the state human resources information systems received security awareness training, as required by state information technology standards. Security awareness training helps ensure that employees and contractors are aware of their responsibilities in protecting the State's information systems and information processed through them. (page 13)

Recommendations

This report contains six recommendations to improve the Department's control over payroll transactions. Two recommendations address how payroll controls can be improved by ensuring that training content and policies and procedures adequately address areas that are susceptible to errors and non-compliance. One recommendation addresses proper training and certification of employees who are involved in preparing, reviewing, and approving payroll transactions. Another addresses employees who work variable schedules having variable workday agreements on file. Finally, two recommendations address background investigations and security awareness training for employees and contractors with access to sensitive information. (page 20)

EXECUTIVE SUMMARY

**DEPARTMENT OF PERSONNEL
STATEWIDE PAYROLL SYSTEM**

Agency Response

The Department, in response to the audit report, accepted the six recommendations. (page 17)

Introduction

Background

The Department of Personnel is established and governed by Chapter 284 of the Nevada Revised Statutes. It is comprised of the Director's Office and four divisions: Administrative Services, Employee and Management Services, Compensation and Classification, and Recruitment and Retention. Responsibility for administering the central payroll system resides with the Administrative Services Division. The central payroll system serves all state employees except those working for the Public Employees' Retirement System, Nevada System of Higher Education, and the Legislative Counsel Bureau. In fiscal year 2009, agencies served by the central payroll system were approved by the Legislature to expend \$1.5 billion in personnel costs.

The present payroll system has its roots in the development of a statewide integrated system referred to as the Integrated Financial System (IFS). Beginning in fiscal year 1998, the State undertook implementation of the IFS consisting of three operating areas: statewide accounting, statewide human resources, and transportation accounting. The human resources component was activated in 1999 for a select group of state agencies. The rollout for these pilot agencies was completed effective June 30, 2003. Since that time, nearly all agencies have been added to the system. As a result, certain payroll functions are now performed at the agency level instead of at the Department of Personnel.

The Personnel/Payroll system consists of three distinct functional areas: the Advantage – Human Resources (ADV-HR) system; the Human Resources Data Warehouse (HRDW); and the Nevada Action and Timekeeping System (NEATS). The ADV-HR system was developed to support all state employee payroll and personnel transactions including time reporting, pay adjustments, and all personnel actions that affect an employee's status, such as merit increases, reclassifications, transfers, and promotions. The HRDW is a data warehouse repository which provides information in the areas of payroll accounting research, employee paycheck history, time and leave

analysis, employee rosters and transaction history, overtime analysis, state workforce demographics, and training course evaluations.

NEATS is an online intranet-based system that allows employees to directly enter personal information. The system has three components:

- *Timekeeping.* Employees enter their own timesheets electronically, subject to supervisor approval.
- *Employee Data Capture.* Employees enter their personal address, phone number, beneficiary changes, and emergency contact.
- *Employee Development.* This module is a centralized means for employees to register for classes and access training history.

The Department plans future enhancements to NEATS that will add greater functionality. For example, an approved addition will allow electronic pre-approval for compensatory time, annual leave, and overtime.

Staffing and Budget

During fiscal year 2009, the Department of Personnel had 88.5 authorized full-time equivalent positions, with offices in Carson City and Las Vegas. The Department is funded primarily by transfers from user agencies. The Department's financial transactions are recorded in an internal service fund authorized by statute. Legislatively approved expenditures for the Department for fiscal year 2009 were \$14.9 million.

Scope and Objective

This audit is part of the ongoing program of the Legislative Auditor as authorized by the Legislative Commission, and was made pursuant to the provisions of NRS 218.737 to 218.893. The Legislative Auditor conducts audits as part of the Legislature's oversight responsibility for public programs. The purpose of legislative audits is to improve state government by providing the Legislature, state officials, and Nevada citizens with independent and reliable information about the operations of state agencies, programs, activities, and functions.

This audit included a review of the statewide payroll transactions occurring during the fiscal year ended June 30, 2008. The objective of our audit was to determine whether the statewide payroll system has sufficient controls to provide reasonable assurance that payroll transactions are correct, properly authorized, and supported.

Findings and Recommendations

Overall, internal controls associated with the statewide payroll system are sufficient to provide reasonable assurance that payroll transactions are correct, properly authorized, and supported. However, we did note areas where improvements are needed.

Specifically, certain payroll transactions were not always correct or properly documented, and overtime and annual leave were not always approved in advance. In addition, agreements required to work variable work schedules were not always on file, and many employees who prepare payroll and records forms did not receive required certification training in a timely manner, or at all. As a result, there is an increased risk of incorrect or improper payments. Finally, Department employees and independent contractors in sensitive information technology positions did not always receive required background checks and security awareness training. This could result in increased risk of inappropriate access to sensitive data.

Payroll Controls Could Be Improved

Certain payroll transactions were not always correct or properly documented, and overtime and annual leave were not always approved in advance. In addition, agreements required to work variable work schedules were not always on file, and many employees who prepare payroll and records forms did not receive required certification training in a timely manner, or at all. As a result, there is an increased risk of incorrect or improper payments.

Payroll Transactions Not Always Correct or Properly Documented

Our review of payroll transactions showed that some employees were not always paid correctly and timesheets were not always prepared properly. Nine of 80 payments tested contained minor errors. The errors included both overpayments and underpayments, and consisted of incorrect reporting of pay transactions, payment at incorrect rates, and errors in applying shift differential and overtime. Five of the errors were identified and corrected by the agency or Department of Personnel, while four

were not corrected. For the nine payments in error, we noted a total of \$240 in overpayments and \$166 in underpayments. Of those, \$98 in overpayments and \$29 in underpayments were not corrected. We also noted that two timesheets contained insufficient information for us to determine if the payments were correct. The agencies where these employees worked could not provide us with the needed information.

The Department of Personnel is responsible for administering the provisions of Chapter 284 of Nevada Revised Statutes and the corresponding regulations. This includes administering the central payroll system. However, certain control aspects over the payroll system are distributed among state agencies. For example, processing of timesheets occurs at each agency rather than at the Department of Personnel. As a result of this decentralization, the Department needs assurance that an effective system of internal controls is in place and functioning at each agency that uses the system.

To ensure proper controls are in place, the Department uses various training, policies and procedures, and regulations. This includes requiring state employees who prepare certain personnel forms to attend classes and obtain certification through the Department. Also, the Department's *State Employee Handbook* provides an overview of personnel rules and employee responsibilities. Finally, regulations, such as NAC 284.5255, detail employee and supervisor responsibilities. This regulation requires employees to provide an accurate accounting of all hours worked and leave used, including specific times at which the work shifts started and ended. The regulation also holds the employee's supervisor responsible for reviewing and certifying the accuracy of the employee's timesheet. Negligence in doing so can result in disciplinary action for the supervisor.

In the instances where we found errors, the employees did not properly prepare and supervisors did not properly review the timesheets. As noted, some of the errors were subsequently discovered and corrected. This indicates that a monitoring process is in place, but it is only partially effective. Also, staff must spend additional time researching and correcting errors. It would be better if the errors were prevented through enhanced training by the Department and effective supervision at each agency.

Overtime and Leave Approval Could Be Improved

Employees did not always get, or properly document, advance approval for overtime and annual leave as required by law and regulation. Twenty-three of 80 (29%) test items lacked evidence of advance approval of overtime and annual leave. In some cases, the overtime and leave requests were missing and in others, supervisors did not approve them timely.

NRS 284.180 requires that all overtime be approved in advance by the appointing authority or his designee. In addition, NAC 284.539(2) requires that a written request for annual leave that is submitted by an employee must be approved or denied timely by the appointing authority, in writing. If advance approvals are not obtained, management risks losing a certain degree of control over operations, including unchecked overtime usage or staffing needs of the agency not being met.

Although proper review of overtime and annual leave is primarily an agency responsibility, the Department of Personnel can assist agencies. First, the Department can emphasize compliance through its policies and procedures, and training. Second, the Department can strongly encourage agencies to use the overtime and leave authorization feature in the Nevada Employee Activity and Timekeeping System (NEATS). When used properly this system would make it easier to obtain preapproval. The Department is rolling out the overtime approval function to selected agencies with availability to all agencies in the near future.

Variable Workday Agreements Not Always on File

Not all employees working variable work schedules have entered into variable workday agreements, as required by the Department. We found that 9 of 49 (18%) employees who were subject to the Fair Labor Standards Act (FLSA) overtime requirements, and who worked variable schedules, did not have variable workday agreements on file.

Department of Personnel policy requires that an agreement be on file at the agency personnel office and a copy sent to the Department of Personnel Central Records for those employees who choose and are approved for a variable workday. Without signed and approved variable workday agreements, it would be difficult to prove that employees working variable schedules are in compliance with federal labor laws.

This increases the risk that an employee could challenge the State for additional overtime compensation.

Enhanced Training Could Improve Controls

Not all employees who were authorized to sign key Records section and Payroll section forms received the required training and certification to do so. Certification involves attending training classes offered by the Records and Payroll sections of the Department of Personnel. These classes are designed to teach employees about forms preparation and the related laws and regulations. Forty-nine of 64 (77%) employees tested did not have appropriate and timely certification for preparing Records section forms. In addition, 52 of 70 (74%) employees tested did not have appropriate and timely certification for preparing Payroll section forms. Overall, 43% of pay clerks and 89% of managers and supervisors tested did not have proper certification. NAC 284.504 requires that State employees who prepare forms for the Payroll and Records sections be certified in the preparation of those forms. It further requires that certification be obtained within 6 months of appointment and that recertification be maintained every two years. Several factors contributed to the low training rates. These included limited training availability, lack of monitoring, and restricted attendance.

Limited Training Availability

Certification training classes are only offered two to four times a year and only at certain times of the year. In calendar year 2008, the Payroll and Records sections each offered certification training three times. Of note are recent efforts by the Records section to implement online training courses for employees seeking recertification. Management had originally planned to have the online training ready by March 2009; however, as of July 2009, it was not yet operational. Once operating, this should increase the availability of training for those seeking Records recertification.

Lack of Monitoring

Both the Payroll and Records sections feel it is the responsibility of agency supervisors to ensure that their staff completes the required training and that it is the Department's responsibility to provide that training. NAC 284.504 does state that agency supervisors are responsible to ensure that employees are certified. However, statutes require the Department of Personnel to carry out the provisions of Chapter 284

and the regulations adopted pursuant to it. Further, since the Department relies on these agencies to help provide control over the central payroll system, it benefits by ensuring agency personnel are properly trained. The Department could assist agencies by monitoring employee training. Online training could provide better tracking capability.

Attendance is Restricted

According to a Payroll official, due to class size limitations, the Payroll section restricts payroll certification training to primary and secondary pay clerks. However, the current distributed system of forms preparation, review, and approval relies heavily on agency management and staff to control the accuracy of timesheets and personnel actions. Supervisors play a key role in this process. About 60% of state agencies using the central payroll system rely solely on supervisors to review and approve employee timesheets. Further, NAC 284.5255 makes an employee's supervisor responsible for reviewing and certifying the accuracy of the employee's timesheet. Negligence in doing so can result in disciplinary action for the supervisor. Finally, Department policy reinforces the importance of the supervisors' role in preparing payroll and personnel forms. For example, the Nevada Employee Activity and Timekeeping System (NEATS) user manual describes the supervisors' responsibility to edit, reject, and approve timekeeping information.

Both pay clerks and supervisors should be familiar with preparation of personnel and payroll forms and the laws, regulations, and policies that govern these actions. Without the assurance provided by appropriate and timely training, there is an increased risk that payroll and personnel actions may be incomplete and inaccurate.

Recommendations

1. Review training content and policies and procedures to ensure that areas susceptible to payroll errors are adequately addressed.
2. Use training, policies and procedures, and NEATS enhancements to help agencies comply with advance approval of overtime and leave requirements.

3. Periodically communicate with agencies the requirement to maintain a variable workday agreement for employees who work a variable schedule.
4. Monitor training and certification of key employees who are involved in preparing, reviewing, and approving payroll and personnel forms.

Information Technology Controls Could Be Improved

Information technology controls we reviewed were generally adequate; however, improvements could be made. For example, background investigations and security awareness training were not conducted for certain employees and contractors in sensitive positions. Without proper background investigations, the risk is increased that unsuitable individuals could gain access to sensitive information, use it inappropriately, or destroy it. In addition, security awareness training helps to ensure that employees and contractors are aware of their responsibilities in protecting the State's information systems and information processed through them.

Background Investigations Not Always Completed

The Department did not conduct background investigations for 26 of 32 employees and 4 of 5 contractors who were determined to be in sensitive positions. Nevada Information Technology Operations Committee (NITOC) standard 4.04 states that employees and contractors who hold sensitive positions shall have background investigations and the agency will document the results. The Department was unsure of which positions required background investigations to be performed based on the standard.

Security Awareness Documents Not Signed

We found no evidence, in the form of signed security awareness documents, that any of the five contractors who had access to the state human resources information systems received security awareness training. NITOC standard 4.05 requires that these contractors receive training and acknowledge such by signing a security awareness document. This resulted from the contractors not having access to the online training.

Subsequent to our audit work, Department officials provided additional information to show that responsibility for the contractors was transferred to a different agency. However, the Department should ensure that future contractors have the proper background investigations and security awareness training.

Recommendations

5. Ensure required background investigations are completed on employees and contractors in sensitive positions.
6. Ensure that contractors who have access to Department information systems receive security awareness training.

Appendices

Appendix A

Audit Methodology

To gain an understanding of the Department of Personnel Administrative Services Division and the central payroll system, we interviewed agency staff and reviewed state laws, regulations, policies, and procedures significant to the agency's operations. We also reviewed the agency's financial reports, budgets, minutes of various legislative committees, and other information describing the activities of the Department. Furthermore, we documented and assessed internal controls over information systems.

To determine if payroll was computed and processed correctly, we randomly selected 24 payroll transactions, chosen from all agencies in the payroll system, and verified that regular pay, special pay, deductions, leave, authorizations, and positions were correct for each employee. Also, we randomly selected an additional 56 payroll transactions with pay events that included overtime, shift differential, standby, callback, and workers compensation, and reviewed each one for proper hours, pay rates, and authorizations. Finally, we reviewed a study conducted by the Department regarding agency reconciliations and documented the Department's efforts in this area.

To determine if Payroll and Records forms were properly authorized and supported, we first reviewed agency signature authorization forms maintained by the Payroll and Records sections to ensure that they were current and complete. Then we selected 15 signature authorization forms at random and verified that each authorized person shown on the forms was employed at the correct agency. We then tested 50 key personnel documents, selected at random, to verify that the signatures on each one matched the corresponding signatures on the authorization forms. Finally, we judgmentally selected 10 signature authorization forms containing a total of 72 employees. We verified whether these employees, who are authorized to prepare forms for the Payroll and Records sections, attended required certification training classes.

To assess information technology controls, we verified that the Department conducted background investigations for employees and contractors with access to sensitive information. We also verified whether the contractors had completed security awareness training. Finally, we reviewed network user access. We verified that network access was terminated for those employees no longer employed by the Department and that password policies and settings were in compliance with state information technology standards.

Our audit work was conducted from December 2007 through June 2009. 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In accordance with NRS 218.821, we furnished a copy of our preliminary report to the Director of the Department of Personnel. On January 22, 2010, we met with agency officials to discuss the results of the audit and requested a written response to the preliminary report. That response is contained in Appendix B, which begins on page 17.

Contributors to this report included:

Gary J. Kulikowski, CPA
Deputy Legislative Auditor

S. Douglas Peterson, CISA
Information Systems Audit Supervisor

Roger Wilkerson
Deputy Legislative Auditor

Appendix B
Response From the Department of Personnel

JIM GIBBONS
Governor

STATE OF NEVADA

TERESA J. THIENHAUS
Director



DEPARTMENT OF PERSONNEL
209 East Musser Street, Room 101
Carson City, Nevada 89701-4204
(775) 684-0150
<http://dop.nv.gov>

February 1, 2010

Paul Townsend, CPA, Legislative Auditor
Legislative Counsel Bureau
Legislative Building
401 S. Carson Street
Carson City, NV 89701-4747

Dear Mr. Townsend:

In response to the audit recommendations, as outlined in your audit of the Department of Personnel's Payroll Section, the Department accepts all six recommendations with additional comments outlined below.

Audit Recommendations

- 1. Review training content and policies and procedures to ensure that areas susceptible to payroll errors are adequately addressed.**

Accepted – Training, as required in NAC 284.504, for the preparers of forms for the Records and Payroll Sections of the Department of Personnel will be reviewed and updated to adequately address areas of errors in payroll. Additional online training will be developed for approvers of payroll and personnel forms. This training will include approval requirements for timesheets, leave and overtime in NEATS. NAC 284 will be updated and this training will be a required course. The development of additional online training and required updates to NEATS to effectively track completed training may have budget considerations and may require the completion of a technical investment request (TIR) with the Department of Information Technology (DoIT) in the Departments next budget request.

2. Use training, policies and procedures, and NEATS enhancements to help agencies comply with advance approval of overtime and leave requirements.

Accepted – The Department continues to add agencies to the NEATS leave and overtime module. Since utilizing NEATS Leave and Overtime Preapproval System is voluntary, we suggest that the Audit recommends the use of this module for all Central Payroll agencies having sufficient resources to provide employees with computer access to enter their time as well as leave and overtime requests in NEATS. For those agencies that do not have adequate resources, we suggest that they establish access to computers for employees to enter their own timesheets, we suggest that they establish a process for employees to enter requests for preapproval of leave and overtime in NEATS through a time keeper or pay clerk. As stated in response number one, online supervisor training will include responsibilities for review and approval of leave and overtime in NEATS.

3. Periodically communicate with agencies the requirement to maintain a variable workday agreement for employees who work a variable schedule.

Accepted – A variable workday agreement allows for employees who flex their work schedules to accrue overtime for hours worked after 40 hours of regular time during a week. The need for this agreement will be stressed in annual communications with agency management and personnel liaisons. In addition the mandatory supervisor training, which was mentioned in the above two responses, will include a module on variable workday agreements and flex time. In a future enhancement to NEATS, timesheets will have a notation developed to show that a current variable workday agreement is on file for the supervisor to reference, when approving time sheets. The notation will be based on proper personnel documents being filed, with the variable workday agreement, in the employee's official personnel file.

4. Monitor training and certification of key employees who are involved in preparing, reviewing, and approving payroll and personnel forms.

Accepted – Monitoring of training for online classes, payroll certification and records certification is currently a manual labor-intensive process, which limits reporting capabilities. As mentioned in recommendation number one, an enhancement to NEATS will be included in the Department's budget request to integrate online training reporting into NEATS.

5. Ensure required background investigations are completed on employees and contractors in sensitive positions.

Page 3

Accepted – Background investigations will be completed on all ITS, Records and Payroll staff. Future recruitments will require the completion of a background investigation on all successful candidates hired into sensitive positions. Department of Information Technology and the Department of Administration currently manage contractors for ITS support. Any contractors hired by the Department of Personnel in sensitive positions will be required to have a background investigation.

6. Ensure that contractors who have access to Department information systems receive security awareness training.

Accepted – Security awareness training will be required of all contractors and employees in sensitive positions. The Departments ITS manager has been given access to allow contractors the ability to take the security awareness-training program offered by the Department of Information Technology. DoIT or the Department of Administration manages all current contractors with access to information systems.

If you have any questions please feel free to contact my Administrator of the Administrative Services Division, Greg T. Weyland at (775) 684-0102..

Sincerely,



Teresa Thienhaus, Director
Department of Personnel

cc: Greg Weyland, Administrator, Administrative Services, Department of Personnel
Adam Drost, Manager, Payroll Section
Cynthia Willden, Manager, Records Section
Alan Rogers, Manager, Information Technology Services

**Department of Personnel – Statewide Payroll System
Response to Audit Recommendations**

<u>Recommendation Number</u>		<u>Accepted</u>	<u>Rejected</u>
1	Review training content and policies and procedures to ensure that areas susceptible to payroll errors are adequately addressed.....	<u> X </u>	<u> </u>
2	Use training, policies and procedures, and NEATS enhancements to help agencies comply with advance approval of overtime and leave requirements....	<u> X </u>	<u> </u>
3	Periodically communicate with agencies the requirement to maintain a variable workday agreement for employees who work a variable schedule.....	<u> X </u>	<u> </u>
4	Monitor training and certification of key employees who are involved in preparing, reviewing, and approving payroll and personnel forms.....	<u> X </u>	<u> </u>
5	Ensure required background investigations are completed on employees and contractors in sensitive positions	<u> X </u>	<u> </u>
6	Ensure that contractors who have access to Department information systems receive security awareness training.....	<u> X </u>	<u> </u>
	TOTALS	<u> 6 </u>	<u> 0 </u>