

Audit Highlights



Statewide Payroll System

Highlights of Legislative Auditor report on the Department of Personnel, Statewide Payroll System issued on April 13, 2010. Report # LA10-10.

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, overtime analysis, 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 of Audit

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.

Audit 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. One recommendation addresses proper training and certification of employees who are involved in preparing, reviewing, and approving payroll transactions. Another addresses 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.

The Department accepted the six audit recommendations.

Status of Recommendations

The Department's 60-day plan for corrective action is due on July 8, 2010. In addition, the six-month report on the status of audit recommendations is due on January 10, 2011.

Department of Personnel

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. 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.

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.

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.

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.

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.

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.