

APS Internal Audit Department

**Payroll Internal Audit
Report**

September 10, 2015

John Mickevics

Director, Internal Audit



Arlington Public Schools



Presentation Overview

- **Overview of Internal Audit at APS**
- **Payroll Processing and Controls**
- **Next Steps**



Overview – Internal Audit

- Provide **operational, financial, and compliance audit services** to APS
- **Advisor and resource to school leadership and School Board** on policy, internal controls and best practices in fiscal and business operations



Overview – Internal Audit

How the Audit Plan is developed:

- **Consultation** with the Audit Committee
- **Prioritization** based on
 - Risk Assessment
 - Input from School Board and Superintendent



Payroll Audit Overview

Payroll Processing and Controls is high priority area

- 77% of budget allocated to salaries and benefits expense
- Large data requirements and complex compliance requirements in every step of process
- Internal controls throughout process need to be identified, documented and tested to evaluate strength and effectiveness



Focus of Payroll Audit

Primary focus of audit:

- **Internal Controls**

- Automated Edits
- Daily audits/reports
- Access to update data

- **Compliance**

- Federal & State code
- APS Policies and Policy Implementation Procedures



Compliance and Controls

Areas examined in this audit were:

- New employee hiring process
- Employee Leave
- Authorization/validation of pay-related actions



Payroll Audit Observations

- **This is a first-time audit of an extremely complex process.** 2 payrolls for over 4000 full time and hourly employees each month.
- **Superior cooperation** throughout the audit.
- **Our work together** demonstrated the power of collaboration.
- No findings of misappropriation of funds.



Payroll Audit Observations

- All required new employee and termination information per our samples was confirmed.
- Daily Audits report accurately highlight relevant information for management follow-up.
- Management provided support for all questions such as employee advances, earnings while on leave, employee escrows and payments in addition to salary.



Payroll Audit Observations

- **Payroll and time reporting are a distributed function** at 35 APS locations and is in part, paper-based.
- **Separation of duties was explored in depth.** Access to Oracle Human Resources Management System is broadly defined, with a focus on team collaboration to accomplish overall tasks.



Payroll Audit Observations

- Suggestions were made throughout audit to improve oversight and approval processes and to further restrict access to sensitive data.
- No findings of misappropriation of funds.
- Suggestions will serve to strengthen the processes already in place.



Payroll Audit Report

- Finding were discussed in the following areas:
 - Overtime reporting & management
 - Increased restrictions on access to electronic payroll records
 - Strengthened approval and review controls



Internal Audit Next Steps

- Timing for implementation of management responses is scheduled throughout FY 2016.
 - Updated training of Timecard approvers, Administrators & Timekeepers
 - Increased use of automated reporting tools
- Internal Audit will follow-up with management each quarter after responses are implemented.