



R. B. "Chips" Shore

CLERK OF THE CIRCUIT COURT AND COMPTROLLER OF MANATEE COUNTY

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MEMORANDUM

TO: Mitchell Palmer, County Attorney

FROM: R. B. "Chips" Shore, Clerk of Circuit Court and Comptroller 

DATE: May 1, 2015

RE: Risk Management – Workers' Compensation Payroll Reporting Follow-up #2

The Internal Audit Department has completed a second follow-up audit of the Risk Management Division's Workers' Compensation Payroll Reporting based on the Clerk of the Circuit Court's Follow-up Audit Memorandum issued February 22, 2012 and the original Audit Report issued August 11, 2009. This follow-up audit consisted of reviewing the management action plans included in the previous follow-up audit memorandum to ensure corrective actions were implemented by the Risk Management Division. The scope of the follow-up audit consisted of verifying information included in the SI-5 payroll report submitted to the State of Florida Division of Workers' Compensation for the period ending August 31, 2014.

The Risk Management Division of the County Attorney's Office manages the County's Workers' Compensation Program, which covers the Board of County Commissioners, as well as the offices of the Sheriff, Clerk of the Circuit Court, Supervisor of Elections, Property Appraiser, Tax Collector, and the Metropolitan Planning Organization. The Division is responsible for reporting payroll information to the State of Florida Division of Workers' Compensation each year for the purpose of calculating the County's assessments to the Workers' Compensation Administrative Trust Fund and the Special Disability Trust Fund.

The workers' compensation payroll information reported to the State differs from the actual payroll paid to employees, in that certain elements of payroll are excluded from the workers' compensation gross wages, and overtime pay is calculated at straight time. These payroll inclusions and exclusions are based on rules established by the National Council on Compensation Insurance (NCCI). Each element of payroll is identified by a numeric payroll code. Currently, each of the Constitutional Officers, except for the Tax Collector's Office, has created a Grouping Sheet to show how a certain payroll code is to be handled based on the rules. The information from the Grouping Sheet is programmed into the County's Payroll System (IFAS). Also programmed into IFAS is a class code assignment for each employee. Class codes are also established by NCCI and are based on the employee's specific job duties. IFAS generates the reports to complete the workers' compensation SI-5 report to the State based on the programmed rules and class code assignments.

We are pleased with the corrective actions taken by management since the prior follow-up audit. Risk Management has corrected the payroll code errors previously identified and reported, and has made revisions to its policies and procedures. While management has addressed many of the areas where improvements were recommended, our testing identified areas which still require management's attention. During the April 9, 2015 exit meeting, your management staff, together with the Internal Audit Department, discussed these areas where further attention is needed and agreed on corrective action plans as follows:

"Pride in Service with a Vision to the Future"

Clerk of the Circuit Court – Clerk of Board of County Commissioners – County Comptroller – Auditor and Recorder

PAYROLL REPORTING

1. The payroll code classifications identified in the Grouping Sheets were reviewed and compared to the classifications in the IFAS payroll reports. The following inconsistencies were noted:
 - Two (2) payroll codes were incorrectly classified on the Grouping Sheets and/or IFAS payroll reports, according to NCCI rules, resulting in an overstatement of payroll on the SI-5 report. (BOCC 3057/5057, Sheriff 404/5404)
 - Two (2) payroll codes were not listed on the Grouping Sheets, but were correctly classified on the IFAS payroll reports. (BOCC 5922, Sheriff 5928)
2. The employee class code information included in the final SI-5 report was reviewed for accuracy. The following errors were noted:
 - Payroll for employee Class Code 8810 was overstated due to incorrect salary computations/adjustments for the Clerk of Court, Property Appraiser, and Tax Collector Offices.
 - Payroll for employee Class Code 9101 was understated due to an incorrect salary computation/adjustment for the Clerk of Court’s Office.
3. Adequate information is not being obtained from the Tax Collector’s Office to verify whether any new payroll codes have been added during the reporting year and/or whether the payroll codes have been classified correctly, according to NCCI rules. Although the Tax Collector’s Office does not use IFAS, their payroll system does have the ability to generate a report detailing the payroll codes which are excluded from the workers’ compensation payroll amount reported (Excluded Report); however, neither this report, nor any other information about payroll code changes, was being obtained by Risk Management.
4. The IFAS payroll reports can be produced in both Adobe and Excel formats. Risk Management utilizes the Excel format when completing the SI-5 report to the State. In order to ensure that information in the Excel report has not been inadvertently altered, it was recommended that Risk Management compare the gross earning totals from the Excel report to the totals in the Adobe version. While Risk Management is currently obtaining both versions of the reports, it does not appear that the two reports are being compared. Testing found slight differences with the information included on the two reports, resulting in incorrect amounts reported, and an understatement of payroll on the SI-5 report.

Overall, the SI-5 report was overstated by \$38,887.07. This represents only 0.026% of the \$148,443,521.70 in workers’ compensation payroll for the 2014 year.

Management Action Plan:

- Risk Management will notify the respective Constitutional Officers regarding any payroll code corrections needed in their Grouping Sheets, and will notify the Information Technology Department of any payroll code corrections for the IFAS reports.
- Risk Management will work with the County Human Resources Department, Clerk’s Office Payroll Division, and the Constitutional Officers to develop procedures for correctly classifying payroll codes and job description codes (class codes) as new codes are added or changes occur.

- Risk Management will obtain the Tax Collector’s Office “Excluded Report” to ensure their payroll is being properly classified.
- Risk Management will perform a comparison of the Adobe and Excel versions of the IFAS payroll report to ensure the totals agree, prior to using information from the Excel version to calculate figures for the SI-5 report.
- Risk Management Division management will perform an additional review of the final SI-5 report by comparing the figures reported against the IFAS payroll reports to ensure that all numbers from the Constitutional Officers have been correctly included.

The anticipated implementation date is August 31, 2015.

POLICIES AND PROCEDURES

The Risk Management Division maintains policies and procedures for the completion of the annual workers’ compensation SI-5 payroll report to the State. A review of these policies and procedures identified areas where additional information may be helpful to ensure a consistent and accurate application of the workers’ compensation payroll reporting process each year. Recommended enhancements to the policies and procedures include:

- Developing procedures for obtaining and reviewing the Tax Collector’s Office “Excluded Report”
- Incorporating procedures for performing a comparison of the gross earnings totals included in the Adobe and Excel versions of the IFAS payroll reports, and actions to take if/when variances are found
- Developing procedures for the Division’s management to perform a final review of the SI-5 report before submission to the State
- Adding procedures which address the calculation of overtime at straight time for reporting purposes
- Updating the references to “ISD” (Information Services Department), which is now known as “IT” (Information Technology)

Management Action Plan:

Management will be updating the Division’s policies and procedures to incorporate the above additions/changes and to ensure all aspects of the workers’ compensation reporting process are adequately addressed. Implementation is anticipated by August 31, 2015.

We would like to thank you and your staff for the attention given to the audit findings and the cooperation given to the Internal Audit staff. Another follow-up audit will be scheduled after the implementation of the management action plans.

RBS/LJS/MEG

cc: Board of County Commissioners
Ed Hunzeker, County Administrator
Dan Schlandt, Deputy County Administrator
Karen Windon, Deputy County Administrator
Dan Wolfson, Finance Director, Clerk of the Circuit Court