



# Angelina “Angel” Colonnese

CLERK OF THE CIRCUIT COURT AND COMPTROLLER OF MANATEE COUNTY

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## MEMORANDUM

To: Angelina “Angel” Colonnese, Clerk of the Circuit Court and Comptroller

From: Lori Stephens, Director of Internal Audit 

Date: September 27, 2019

Subject: ACL – Payroll Testing Audit

The Internal Audit Department has completed an audit to detect potential fraudulent activity within Manatee County’s Payroll system. The audit used Computer Assisted Audit Techniques (CAATs) to test for fraud using Galvanize (ACL) audit software. This audit was performed in accordance with generally accepted government auditing standards (GAGAS), issued by the Comptroller General of the United States, and the *International Standards for the Professional Practice of Internal Auditing*, issued by the Institute of Internal Auditors. 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.

### **BACKGROUND**

During the 2018 fiscal year, Manatee County employed over 2,200 full-time, part-time, and seasonal workers, with total gross wages of more than \$91 million. The County’s payroll recording and disbursement process is managed through WorkForce, an automated time and attendance management system, and ONESolution, an integrated financial accounting system. Employees record their work hours in WorkForce, and once approved by management, the hours are exported into ONESolution for payroll processing. Payroll disbursements are processed bi-weekly by the Clerk of the Circuit Court’s Payroll Division, and employees are paid via direct deposit ACH transactions or by check. *ONESolution is considered the official timekeeping record for the County.*

The Internal Audit Department utilizes the proprietary software ACL for CAAT testing. ACL is a data extraction and analysis tool that can query 100% of the data, whereas traditional audits typically test only a sample of the data. The WorkForce and ONESolution payroll data files were loaded into ACL and the program queried the data to identify specific characteristics which could be indicators of fraud. Any exceptions identified were further analyzed as discussed in the Results section below.

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

## OBJECTIVE

The objective of this audit was to determine whether fraudulent activity existed in the County's Payroll system by identifying data patterns that match commonly known fraud profiles.

## SCOPE

The scope of the audit included all employees listed in the Payroll Employee Master File (ONESolution) as of 1/5/17; all payroll transactions for the pay periods 12/12/15 through 12/9/16; and recorded leave time for the pay periods 1/8/16 through 3/16/18.

## METHODOLOGY

The methodology used consisted of obtaining payroll data from WorkForce and ONESolution, and using ACL to perform various tests and analyses to establish that payroll was paid only to valid employees, and leave time was properly paid.

## STATEMENT ON INTERNAL CONTROL STRUCTURE

In planning and performing this audit, the internal control structure was considered in order to determine the auditing procedures for the purpose of this report. Internal control weaknesses involve matters relating to deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report on data consistent with management's intentions. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions. In addition, because of the inherent limitations in any internal control structure, deficiencies in the design or operation of the internal control structure may exist and not be detected. In this report, we identified several matters involving internal control weaknesses. We found that additional controls are needed within WorkForce to help prevent employees from incorrectly recording leave time; and improvements are needed in the process of documenting and tracking changes made to employee timesheets outside of WorkForce. These areas are discussed in the Results section below.

## RESULTS

We examined and performed various tests on over 7,000 active and terminated employee records, and approximately \$58 million in payroll disbursements. ***Based upon our analysis, it appears that payroll transactions were only paid to valid county employees; no evidence of ghost employees was found within the Employee Master file.***

Leave time paid out as Holiday, Personal Holiday, Vacation, and Sick was also tested for compliance with sections VI and VII of the County's Personnel Policy, Rules, and Procedures Manual (Procedures Manual). These leave categories represented over 1.3 million leave hours and over \$29 million of payroll. ***No reportable findings were identified in the recording and payment of sick leave and regular vacation hours.***

However, our testing did identify several issues in the testing of other leave categories that require management's attention.

During the July 30, 2019, exit meeting, management and staff of the Human Resources Department (HR) and the Clerk's Office Payroll Division (Payroll), together with the Internal Audit Department, discussed the areas where further attention is needed and agreed on the following corrective action plans:

### **Holiday Pay**

The County recognizes 11 paid holidays each calendar year. Depending on an employee's position and work schedule, the number of hours recorded on a holiday varies. Employees are assigned by work schedule to either the Actual Holiday or the Observed Holiday calendar, as per the Procedures Manual. Additionally, if an employee also works on the assigned holiday, they are compensated for the Holiday hours, plus Holiday Premium pay (regular pay rate times 1.5) for the hours worked. The Holiday pay data for the period tested consisted of 436,192 Holiday hours paid to 2,323 employees.

Our testing found instances where Holiday hours were not recorded and paid correctly. Some of the exceptions resulted in overpayments to employees, while others resulted in underpayments. Overall, we found 79 employees who incorrectly recorded holiday hours resulting in a net overpayment of \$10,139 (759.65 hours). Errors included the following:

- Holiday hours were recorded on days that were not County holidays.
- Holiday hours were recorded on days which were not the employees' assigned holidays.
- Holiday hours were recorded on both the actual and observed holidays.
- Holiday and Holiday Not Scheduled hours were recorded on the same day.
- More than 24 hours of Holiday pay was recorded on the same day. (These errors involved employees who recorded multiple entries in one day due to shift work.)

### **Management Action Plan**

***HR has submitted work orders to WorkForce to incorporate additional controls which will prevent employees from recording holiday hours on a non-holiday (Actual or Observed), prevent the recording of "Holiday" and "Holiday not scheduled" hours on the same day, prevent the recording of more than 24 hours of holiday pay on a single day, and prevent the recording of "Holiday Worked" hours on a non-assigned holiday.***

***HR has identified approximately 150 employees which currently do not have any schedules assigned in WorkForce. A policy decision will be made, and a related work order submitted to WorkForce, to ensure holiday pay is consistently applied to employees with no assigned holiday schedule.***

***HR has provided training to supervisors, and will be providing an updated manual to HR liaisons and timekeepers on how to correctly record holiday hours. Additionally, the Holiday and Pay Procedures have been clarified on how to record holiday hours.***

***Current employees that were found to have been underpaid have been compensated for the amount of the underpayment. Repayment will not be sought from those employees that were found to be overpaid in this test.***

***The expected implementation date is December 31, 2019.***

### **Personal Holiday Pay**

Employees are entitled to 3 full-day Personal Holidays per calendar year. The number of hours recorded for a Personal Holiday is based on the employee's work schedule for the respective day. The Personal Holiday pay data for the period tested consisted of 13,517 days (117,596.78 hours) paid to 2,168 employees.

Our testing found 4 employees who used more than 3 Personal Holidays in a calendar year. In each case, the employees took some or all of their allowable Personal Holidays, separated employment, and then returned to employment and took additional Personal Holidays. This resulted in an overpayment of \$1,347 (11 days).

#### **Management Action Plan**

***HR has provided training to supervisors and will also update HR liaisons and timekeepers that when former employees are rehired, they are not entitled to additional Personal Holidays within the same calendar year of separation. In addition, a work order has been submitted to WorkForce to prevent the number of Personal Holidays from resetting to zero within a calendar year. Repayment will not be sought from those employees that were found to be overpaid in this test.***

***The expected implementation date is December 31, 2019.***

### **Vacation Payout at Separation**

Full-time and part-time employees earn vacation leave hours each pay period based on their length of employment. Any unused hours can be carried over to subsequent years, up to a maximum of 400 hours. Unused vacation hours, up to 400 hours, are paid out when an employee separates from employment (ex. resignation, retirement). The vacation payout data for the period tested consisted of 72,845 hours paid to 691 employees.

Our testing found 8 employees who received more than the 400 hour maximum vacation payout. In most of these instances the employees took a vacation payout when they entered the Deferred Retirement Option Program (DROP), and then another payout at actual retirement; the sum of the two payouts exceeded the 400 hour maximum. This resulted in an overpayment of \$9,187 (355.12 hours).

**Management Action Plan**

***HR has updated its written procedures in regards to separation payouts. Procedures now require generating a ONESolution report to identify the previously paid out balances and reporting them correctly on the paperwork sent to Payroll. In addition, Payroll has implemented a spreadsheet used when processing employee separations which includes verifying the balances to prevent paying out hours over the maximums. Repayment will not be sought from those employees that were found to be overpaid in this test.***

**Timesheet Adjustments**

In performing our testing, we observed minor differences between the number of payroll hours recorded in WorkForce, and those recorded in ONESolution. These differences appeared to be caused by timesheet adjustments that were made to correct prior period hours or classification errors. However, we were not always able to find documentation to support the adjustments. As a result, we could not reconcile the two systems.

Timesheet adjustments are initiated in the departments by completing a manual timesheet adjustment form, which is then sent to HR for processing. Some of the corrections can be made by HR amending the timesheet in WorkForce; these changes are then processed automatically in ONESolution in the subsequent payroll run. Adjustments that cannot be made by HR in WorkForce are sent to Payroll for processing outside of WorkForce, and are only reflected in ONESolution. We found that HR had no formal system in place to track these corrections made outside of WorkForce, or to reconcile the hours recorded in the two systems.

**Management Action Plan**

***Payroll has begun processing all time sheet amendments. Paperwork for payroll adjustments will still flow from the departments to HR for review, hand calculation, and approval. HR will then forward all adjustments to Payroll for processing and storage. The paperwork will be filed by employee ID number in the OnBase document imaging system.***

Upon completion of the Management Action Plans, HR will consider performing additional reviews of holiday pay, personal holiday pay, and vacation payouts at separation to identify and resolve any errors that may have occurred subsequent to the 3/16/18 testing date.

cc: Board of County Commissioners  
Cheri Coryea, County Administrator  
John Osborne, Deputy County Administrator  
Karen Stewart, Acting Deputy County Administrator  
Mitchell Palmer, County Attorney  
Kim Stroud, Human Resources Director  
Dan Wolfson, Finance Director, Clerk of the Circuit Court