Frederick County Government Payroll and Timesheet Agreed Upon Procedures

Frederick County Government, Maryland

March 16, 2016

Report #16-02

SC&H Review Team:

Joseph Freiburger, Director
Matthew Simons, Principal
Chris Patrick, Sr. Manager
Ryan Kohan, Manager
Lindsay Puccio, Staff

Table of Contents

I. Executive Summary

Background

SC&H has been engaged by the Frederick County Government (FCG or the County) Interagency Internal Audit Authority, (IIAA) to perform agreed upon procedures (AUP) over the County's Payroll and Timesheet reporting processes. The procedures performed during this review evaluated criteria within the payroll processing function, personnel time-tracking, stipends, and overtime/additional pay areas. The County determined and prescribed the objectives of this review which are noted below. The procedures that were performed during the course of this review were developed by SC&H, and approved by the County, to effectively achieve these objectives.

FCG currently employs approximately 2,900 personnel, including both salaried and hourly staff members. At the time of hire, employee records are created in Cold Fusion and PeopleSoft, the time entry and personnel management systems, respectively. It is the responsibility of direct supervisors to create a new employee profile in Cold Fusion, while the establishment of all employees within PeopleSoft is delegated to a Payroll Analyst. Each pay period, most salaried and hourly employees enter their hours worked into Cold Fusion, including any sick leave, annual leave, and overtime. Once all time has been entered, managers, as designated and assigned in Cold Fusion, review and approve employee timecards so they may be processed in Payroll.

Employees in certain divisions, including Transit Services, Work Force Services, Parks and Recreation, and Water and Sewer, do not enter their time in Cold Fusion. Instead, these employees record hours worked on a paper timesheet which is signed and submitted to a supervisor at the end of each pay period. Supervisors then review the paper timesheets for reasonableness and appropriate account coding and enter the information into Cold Fusion on behalf of each employee. Paper timesheets are used within these divisions due to the majority of their personnel being stationed in the field and without access to a computer on a regular basis.

The FCG Payroll Department currently employs a staff of three, including a managing Payroll Administrator. Bi-weekly, the Payroll staff perform the complete payroll processing, reconciliation, review procedures, and disbursement of physical checks for all FCG employees. In addition to standard payroll processing procedures, several special calculations may be required. These include retroactive pay changes, severance calculations, manual leave/sick leave calculations, and firefighter overtime (FOT) calculations.

Objectives

The IIAA established five objectives for its AUP of FCG's Payroll and Timesheet Controls:

1. Evaluate the policies and procedures surrounding general payroll functions including workflow, approval paths, timesheets, and rate changes.
2. Evaluate that fire and rescue and the sheriff's office employee's pay follows the Fair Labor Standards.
3. Evaluate the policies and procedures surrounding timesheet and time tracking over staff, part-time staff, and support employees who work on an hourly basis as well as for salaried (non-exempt) employees who are able to acquire overtime pay. This evaluation shall include the processes between the human resources department and the payroll department.
4. Utilizing historical data, evaluate overtime paid out at FCG, and determine if top overtime payees are recurring. Evaluate the need for overtime by assessing the selection of staff to fill overtime slots as it relates to cost benefit staffing. On a test basis, evaluate stated hours by reviewing

employee timesheets in comparison to assigned duties and staff schedules. Through this evaluation, determine if further testing is necessary due to lack of controls.

5. Evaluate special calculations such as severance calculations, retirement incentive calculations, and compensatory time calculations.

Scope

The AUP was initiated in August, 2015 and completed in January, 2016. The period in scope for the performance of these procedures included pay periods for fiscal years 2014 and 2015, which encompasses July 2013 through June 2015.

Methodology and Approach

The overall purpose of this engagement was to understand, evaluate, and test adherence to policies and procedures, as well as the areas of greatest concern within the FCG payroll and timekeeping processes, as determined by the County. Additional emphasis of this review was placed on the processes surrounding the overtime and scheduling procedures for hourly employees. In order to achieve the objectives of the AUP, SC&H performed the following procedures.

Creation of Project Plan

SC&H created a detailed project plan describing each of the procedures to be executed to effectively address the AUP's objectives. The project plan was reviewed and approved by the Director- Internal Audit Division prior to implementation. The approved plan was then used as a guide throughout the review process to ensure that the goals of each objective were thoughtfully addressed and the resulting observations provided value-added and actionable information for the County.

Process Walkthroughs and Narrative Creation

SC&H conducted several meetings with members of the FCG Payroll and Accounting departments to identify and walk through the core sub-processes of the payroll and timekeeping functions. These discussions focused on process flow, required approval, inputs/outputs, and other control points. Additionally, relevant policy and procedure documentation was obtained and reviewed. Based on these discussions and review of the procedural documentation, SC&H created summarized process narratives. Through the creation of these narratives, SC&H performed limited evaluations of the risks and controls inherent to the processes discussed as described in Objectives 1 through 3 above. This evaluation considered process efficiency, best practices, and potential fraud risks within the current payroll and timekeeping policies and procedures. The narrative summaries have been included in **Appendix A**. The processes identified and summarized included:

- Personnel Action Forms Processing
- Bi-Weekly Payroll Process
- Special Calculation
- Salary Adjustments
- FLSA Considerations

Data Analysis of Source Files

Based upon the procedural steps documented in the project plan, SC&H requested and received the PeopleSoft data source files necessary for testing and analysis. This included all payroll data for FCG employees during FY14&15. Upon receipt of this information, various analyses were performed, including the identification and summarization of total amounts of overtime pay by employee and by period and employee overtime pay for individual employees for each pay period. Using the data analyses, SC&H selected samples for detailed transactional testing.

Transactional Testing

Testing of individual employee timecards and special calculations was performed in order to provide SC&H with an understanding of process effectiveness. The number of transactions sampled and the associated testing procedures include the following.

- 40 timecards with overtime pay: SC&H selected 40 employee timecards that included overtime pay for testing. These timecards were examined for appropriate management approval, based upon the hierarchy of the organizational charts, and reasonableness based upon the employee's position and Fair Labor Standards Act (FLSA) status.

- 10 timecards with overtime pay specific to the Sheriff's Office: SC&H selected 10 employee timecards specific to the Sheriff's Office, which included overtime pay, for testing. These timecards were examined for appropriate management approval, based upon the hierarchy of the organizational charts, and reasonableness based upon the employee's position and Fair Labor Standards Act (FLSA) status.

- 10 timecards with overtime pay specific to the Division Fire & Rescue Services: SC&H selected 10 employee timecards specific to the Division of Fire & Rescue Services, which included overtime pay, for testing. These timecards were examined for appropriate management approval, based upon the hierarchy of the organizational charts, and reasonableness based upon the employee's position and FLSA status. Additionally, overtime pay for the period was recalculated to ensure that employees were being appropriately compensated for FOT earned.

Departmental Policy Discussion and Analysis

SC&H identified several departmental/members of management for inquiry regarding the employee scheduling and overtime policies and procedures. Management for the departments that incurred the greatest amount of overtime pay during FY15, as well as those that employed the top overtime earners in FY14&15, as determined by the analysis of FCG pay data, were contacted. Meetings were held with management within these departments to obtain a more comprehensive understanding of the procedures utilized countywide. During these meetings, SC&H obtained the relevant and available policy and procedural documentation from management. Based upon the discussions with management and the review of the policy, SC&H created summarized narratives of overtime and hourly scheduling, included with this report as **Appendix B**.

Summary of Work

Based upon the procedures agreed upon and performed during this review, SC&H has noted four reportable observations for the processes and controls related to the administration of payroll and timekeeping at FCG. Details of the observations and our recommendations for corrective action are described in Section II of this report.

We appreciate the assistance and cooperation of management and staff during the performance of these agreed upon procedures. Please contact us if you have any questions or comments regarding the information contained in this report.

SC&H Group, Inc.

Joseph D. Freiburger, CPA, CIA, CISA
Director

II. Detailed Observations and Recommendations

The following observations were noted during the performance of the testing as described above. Detailed findings associated with these observations are provided, along with the associated risks and recommendations for improvement or risk mitigation.

Observation 1

The Payroll Analyst currently has the ability to change salary and other personnel information in the PeopleSoft System.

Observation Details

All changes in employee personnel records including new hires, terminations, raises, promotions, transfers, etc. must be accompanied by a fully executed Personnel Action Form (PAF). PAFs must be signed by the appropriate manager and Division Director. Once reviewed and approved by the Division Director, PAFs are delivered to Payroll for processing. Upon receipt of the completed PAF, a Payroll Analyst reviews the information, makes the necessary change within PeopleSoft, and signs off on the document. The processed PAF is then provided to a second independent Payroll Analyst for review to ensure that the necessary updates were accurately recorded in PeopleSoft. The secondary independent review of changes made in the system is initiated by the receipt of an approved hard-copy PAF.

Based on an understanding of the process, Payroll Analysts have the ability to enter changes within PeopleSoft that may go undetected. A comprehensive review is not currently performed to identify changes that may have been made in PeopleSoft which were not directly supported by a PAF.

Risk

The lack of a regularly performed, comprehensive review of personnel changes creates the risk that unauthorized changes made to an employee's profile may go undetected resulting in pay or personal information being incorrect within the system.

Recommendation 1

SC&H recommends that the County develop a change report that can be utilized within Payroll to review all changes made within PeopleSoft. On a regular basis, the Payroll Administrator, or designee, should run this report and compare all changes made within the system to the supporting PAF's provided by each department. By performing this regular review, unauthorized changes should be identified, mitigating the risk of inappropriate or incorrect employee pay.

Management Response to Recommendation 1

Refer to the attached memorandum "Response to Draft Report on Frederick County Payroll and Timesheet Audit for the Period July 1, 2013 through June 20, 2015," dated March 7, 2016, for Management's response to this recommendation.

Observation 2

The Payroll Analyst currently has the ability to change information on employee timesheets in Cold Fusion, the time keeping system.

Observation Details

Each pay period, the Payroll Department may receive Payroll Action Requests (PARs) for timesheet corrections. The need for a PAR arises when an employee's timecard has been completed and approved in the system, but is subsequently found to be incorrect by the employee or their supervisor. This most commonly occurs when an employee realizes he/she has forgotten to enter hours into a recent timesheet. In order to correct the timesheet, the employee's manager must complete a PAR and provide it to Payroll. Upon receipt of the completed PAR, a Payroll Analyst reviews the information, makes the necessary change within Cold Fusion, and signs off on the document. The processed PAR is then provided to a second independent Payroll Analyst for review to ensure that the necessary updates were accurately recorded in Cold Fusion. The secondary independent review of changes made in the system is initiated by the receipt of an approved hard-copy PAR.

Based on an understanding of the process, Payroll Analysts have the ability to enter changes within Cold Fusion that may go undetected. A comprehensive review is not currently performed to identify changes that may have been made in Cold Fusion which were not directly supported by a PAR.

Risk

The lack of a regularly performed review of timesheet changes creates the risk that unauthorized changes made to an employee's timesheet within Cold Fusion will go undetected resulting in pay or allocation of hours being incorrect for a particular pay period.

Recommendation 2

SC&H recommends that the County develop a change report that can be utilized within Payroll to review all changes made within Cold Fusion. On a regular basis, the Payroll Administrator should run this report and compare all changes made within the system to the supporting PAR's provided by each department. Any unauthorized changes should be identified during this review, mitigating the risk that inappropriate changes will not be identified.

Management Response to Recommendation 2

Refer to the attached memorandum "Response to Draft Report on Frederick County Payroll and Timesheet Audit for the Period July 1, 2013 through June 20, 2015," dated March 7, 2016, for Management's response to this recommendation.

Observation 3

Employees within the Interagency Information Technology (IIT) department have systematic and physical access rights to PeopleSoft and check printing supplies that result in segregation of duties issues with regard to Payroll disbursements.

Observation Details

Both the specialized paycheck printer and blank check stock which are utilized by the Payroll department on a bi-weekly basis to print employee pay checks are currently housed in the IIT department, which is physically located on a separate floor within the administrative office building.

Once payroll for the period has been calculated and approved by the managing Payroll Administrator, a Payroll Analyst creates a work order and contacts IIT notifying the department to prepare the printer to print physical paychecks. An IIT Specialist first begins preparing the printer by retrieving the check stock, signature plate, and a Magnetic Ink Character Recognition (MICR) cartridge from a filing cabinet which is housed in a secure room in the IIT department. The signature plate is required to print the automated signature which appears on each of the physical pay checks. The bank routing number, account number, and check number are written on the blank check stock using the MICR cartridge to ensure individual security as well as bank security. The IIT Specialist prepares the printer by installing the signature plate and MICR cartridge in the printer and then loads the blank check stock. Once prepared, the IIT Specialist notifies Payroll that the printer is ready to be used at which point a Payroll Analyst prompts PeopleSoft to print the paychecks.

Once the physical checks have been printed the IIT Specialist is then responsible for sealing each of the pay checks individually. The check stock is comprised of paper that can be folded and sealed on three sides. In order to open the check to view the details of the payment the recipient must tear the perforated edges off of the three sides to view the check. In order to seal the checks, the IIT Specialist uses a specialized sealing machine. Once the checks have been sealed a Payroll staff member is responsible for retrieving the physical checks from IIT, counting them, and preparing them for distribution.

Within the Payroll department, only certain personnel have the specialized access necessary to prompt PeopleSoft to print a check and utilize the designated printer which is housed in IIT. User access to all systems and hardware within the County is granted by IIT staff. Personnel within IIT have the ability to grant themselves specialized Payroll access rights, providing the ability to print pay checks. While employee user access to critical systems and applications are currently reviewed on a regular basis, there is no review specific of employees assigned the specialized access necessary to print pay checks.

Risk

There is a risk that a member of IIT, the group that manages user access rights for the County, could grant himself/herself the user access rights required to prompt the system to generate paychecks using the specialized printer. Additionally, because the blank check stock, signature plate, and MICR cartridge are housed in IIT, it is possible for a member of IIT to exploit his/her logical and physical access to systems and hardware to generate a check. SC&H notes that an unauthorized check may be detected during the Accounting department's reconciliation process; however, detection may occur after the check was presented to a bank and cashed.

Recommendation 3

SC&H recommends that management, on a regular basis, perform a review of users that have been assigned the user access roles required to prompt the system to print pay checks and virtually access the printer which is utilized to print pay checks. This review would help to mitigate the risk that an employee outside of the Payroll department could prompt the system to generate pay checks and gain unauthorized virtual access to the specialized printer.

Management Response to Recommendation 3

Refer to the attached memorandum "Response to Draft Report on Frederick County Payroll and Timesheet Audit for the Period July 1, 2013 through June 20, 2015," dated March 7, 2016, for Management's response to this recommendation.

Recommendation 4

SC&H recommends that check stock be removed from IIT and be housed securely within the Payroll department. At the end of each pay period, the Payroll Analyst would be required to physically load the necessary amount of check stock into the printer, which would remain housed in the IIT department, prior to printing checks. A member of IIT should continue to prepare the printer by installing the printer plate and MICR cartridge. This would help to mitigate the risk that a member of IIT could print an unapproved check.

Management Response to Recommendation 4

Refer to the attached memorandum "Response to Draft Report on Frederick County Payroll and Timesheet Audit for the Period July 1, 2013 through June 20, 2015," dated March 7, 2016, for Management's response to this recommendation.

Recommendation 5

SC&H recommends that Frederick County Government explore alternatives to issuing physical pay checks and payment advises. The use of direct deposit should be encouraged for all employees. For employees that are unable to utilize direct deposit, other alternative payment methods such as a Payroll Card should be evaluated. The reduction of paper based disbursements would help mitigate the risk of unauthorized disbursements that are effected by printing physical checks.

Management Response to Recommendation 5

Refer to the attached memorandum "Response to Draft Report on Frederick County Payroll and Timesheet Audit for the Period July 1, 2013 through June 20, 2015," dated March 7, 2016, for Management's response to this recommendation.

Observation 4

There does not appear to be formalized, uniform over-arching guidance for the various departmental units within the County that establishes expectations for overtime use, tracking, and assignment.

Observation Details

SC&H has met with, and reviewed the policy and procedures of, various departmental units within FCG as part of this review. It was noted that, while departments do have various procedures and informal policies in place, there is no consistent application of formalized overtime tracking and assignment methodology. Further, it appears that departments have been provided with the authority to determine their individual methods of addressing the various aspects of overtime for their particular business areas.

Risk

Due to the lack of guidance regarding overtime expectations, some County employees may not be properly instructed on the methods and importance of tracking overtime. This may result in excessive overtime due to a lack of periodic monitoring. When overtime is not regularly monitored for appropriateness, trends causing increased overtime may not be recognized early enough to be addressed, potentially resulting in unnecessary additional labor costs.

Additionally, the lack of a centralized policy creates the risk of improperly or unevenly assigned overtime. While some departments maintain voluntary, rotating overtime schedules, this does not appear to be County-wide practice. Anecdotally, SC&H noted that some departments tend to provide overtime opportunities to those employees perceived to be most available, or willing. This can result in overtime being centralized to a relatively small number of individuals, creating a perception of unfairness amongst employees. This may result in a poor public image due to the large overtime amounts paid to certain employees. Additionally, there is the risk that the County may incur excessive overtime expenses by limiting the assignment of overtime to a few individuals. This may occur if the individuals who most often incur overtime earn a higher wage than others who are eligible.

Recommendation 6

SC&H recommends that an over-arching overtime policy be created for Frederick County, as a whole. Individual departments should be provided the latitude to modify procedures to fit their particular business need, however the spirit of the guidance provided within the policy should apply to all areas of FCG. Components that should be considered for inclusion into this policy are (but not necessarily limited to):

- Approval of Overtime: All planned overtime should require documented pre-approval. Unplanned overtime must be approved by a direct supervisor within the employee's timecard. When completing a timecard that includes overtime, employees must note the purpose for these additional hours.

- Tracking Overtime: Overtime should be tracked on a regular basis (e.g. per pay period, monthly, quarterly, etc.) by departmental management. This tracking should include an examination and review of overtime hours and costs between periods. This data should be maintained and observed for a period of time covering several monitoring cycles (e.g. six months, a year, etc.) in order to identify trends. Tracking may occur at an individual business unit level within the department, or may be viewed for the department as a whole. The exact method of this tracking will vary with each department due to varying size and structure.

- Equal Opportunity Assignment: Departments should make every effort to provide the opportunity for overtime work to all eligible employees. This may be accomplished in various ways, including voluntary, rotational overtime schedules. Upcoming overtime opportunities may also be announced to the applicable employees to solicit volunteers. This would reduce the perception of unfairness among employees, allocate overtime hours/dollars between employees at different pay scales, and alleviate the potentially high financial burden that may result from limiting assignment of overtime to a small number of individuals. The method of providing overtime opportunities that works best for individual departments should be decided by management. The purpose of this policy would be to enforce the importance of providing all staff with the opportunity for overtime so as to avoid favoritism in appearance or in fact.

Management Response to Recommendation 6

Human Resources agrees that a centralized overtime policy that provides detailed guidelines regarding the technical instances of how overtime is calculated should be implemented. This policy should also clearly state:

1. Overtime must be pre-approved by the supervisor and the approval is documented on the timesheet
2. Overtime must be tracked and reviewed by the Division Director and/or Department Head
3. Division/Departments must make every effort to ensure that overtime is provided/offered to all eligible employees

During the FREDCO Connect implementation project as part of the Business Process Review, the IIAA report, specifically Recommendation 6, will be included as part of the discussion and best practice. The result will be used in formulating the centralized overtime policy and rules. The written centralized policy will become part of the HR Policy and Procedures Manual and the policy and rules will be configured into INFOR Global Human Resources and all related modules (Payroll etc.).

The centralized overtime policy and procedures will rolled out across all Divisions and Departments simultaneously with the scheduled go-live date of Global Human Resources in February 2017.

III. Appendices

Appendix A

Frederick County Government
Bi-Weekly Payroll Processing and Ancillary Procedures
Summarized Process Narratives

Purpose
The purpose of this document is to describe the various sub-processes that comprise the bi-weekly payroll processing function. SC&H obtained this information through discussions with members of the Frederick County Government Payroll and Human Resources departments, as well as through review of current policy and procedure documentation. These functions are described at a summarized level with the goal of providing a greater understanding of the FCG payroll procedures in the context of this review. The information below describes the standard bi-weekly payroll processing procedures and the relevant ancillary procedures identified. Processes included are: **A. Personnel Action Forms Processing** **B. Bi-Weekly Payroll Process** **C. Special Calculation** **D. Salary Adjustments** **E. FLSA Considerations**

A. Personnel/Payroll Action Forms and Data Change Processing	
Process Step	**Summarized Procedures**
I. Personnel Action Form Receipt	The Payroll Department receives personnel actions forms (PAFs) from individual divisions throughout Frederick County Government (FCG). These forms are completed and signed by a manager and include the position and salary information. Completed PAFs are then reviewed and signed by the Division Director before being delivered to the Payroll Department. PAFs are received by Payroll in hard copy form and may include additional supporting documentation depending upon the reason for the PAF. A PAF is utilized to formally document and communicate all updates related to personnel matters including new hires, terminations, transfers, etc. These forms are processed by a Payroll Analyst, generally during each pay week, as the paperwork is received. Once the PAFs have been processed, the Payroll Analyst initials the documents and obtains signatures from a designated Human Resources representative. **Steps II-V** below describe the procedures for specific PAF entries.
II. New Hire Entry	New position requisitions must first be approved by Human Resources (HR). The requesting division is then responsible for identifying and hiring the employee to fill the position. Upon hiring a new employee, the employee's manager enters the new employee into the Cold Fusion timesheet system. Information entered includes the employee's department, group, and Fair Labor Standards Act (FLSA) classification. Once the employee is established in Cold Fusion, he/she receives an email with his/her login information. The employee can then begin entering time. In order to process the employee's hours from Cold Fusion, Payroll must first create a record for the employee in PeopleSoft. In order to notify Payroll of the new employee, the employee's manager completes a PAF. This form is provided to Payroll along with the I-9 form and supporting documentation and the signed Employment Application form printed from the third party human resources management software, NEOGOV. Prior to entering any information into PeopleSoft,

A. Personnel/Payroll Action Forms and Data Change Processing	
	the Payroll Analyst delivers the PAF to HR to be reviewed for accuracy. Once reviewed, an HR representative signs the PAF indicating that the information contained on the PAF is accurate. Upon receipt of the signed PAF, a Payroll Analyst enters the employee information in PeopleSoft. Entry of new hires in PeopleSoft is then verified by a second, independent Payroll Analyst. New hires may also be identified by Payroll without the receipt of a PAF and associated paperwork. During Payroll processing, the Payroll Analyst may note an error in which an employee has hours in the Cold Fusion system which cannot be uploaded into PeopleSoft because a corresponding employee record does not yet exist. In this situation, the Payroll Analyst will contact the division to obtain the appropriate paperwork and subsequently enter the employee into PeopleSoft. A Payroll Action Notice Report is sent to HR for verification that includes all new hires, rehires, and benefits changes entered into PeopleSoft, as described in **B. Bi-Weekly Payroll Process Step III**.
III. Time Entry Corrections	Prior to processing the bi-weekly payroll, the Payroll Department may receive Payroll Action Requests (PARs) for timesheet corrections. These are the result of employee timecards being completed and approved in the system, but subsequently noted as incorrect by the employee. This most commonly occurs when an employee realizes he/she has forgotten to enter hours into a recent timesheet. The employee's manager must complete a PAR requesting a correction and provide it Payroll. Changes are processed by Payroll as they are received, prior to processing payroll.
IV. Employee Data Changes	Payroll is responsible for entering all employee data changes into PeopleSoft. Payroll receives a paper form, indicating the type of change and the information that must be updated. For position changes or promotions, a PAF is received with the necessary salary and job information. If the employee has moved, or changed their name, Payroll will receive an Address/Name Change Form. For name changes, a copy of the employee's updated Social Security card is required to process the change. If the employee is changing his/her Direct Deposit amount or account, a Direct Deposit Change Form is provided. All changes to an employee's benefits will be handled in HR, with the information being provided to Payroll for record retention purposes.
V. Leave of Absence Entry	In order to request a leave of absence (LOA), an employee must fill out a PAF, which indicates the duration of leave and the reason for absence. This PAF must then be approved by the head of the employee's department and sent to Payroll for processing. Prior to returning from leave, a second PAF must be completed, approved, and provided to Payroll for processing. LOA must be entered for ten and eleven month employees on an annual basis. These included school nurses who are FCG employees and are inactive during the summer months. The process for entering the LOAs for these employees is performed by IIT. Payroll provides the names and ID numbers of all ten and eleven month employees to IIT, who then enter the LOAs into the PeopleSoft using a file load.

B. Bi-Weekly Payroll Process	
Process Step	**Summarized Procedures**
I. Timesheet Entry and Approval	All FCG employees must report their hours worked each day. The method of entry varies by the division in which the employee works. Most employees enter their hours into the Cold Fusion time reporting system. These employees enter their time

B. Bi-Weekly Payroll Process	
	in and out for each day worked. The employee can either manually enter their time in and out or select an option within Cold Fusion which records the time the employee clocks in/out each day. Some employees clock in and out using their FCG ID badge. These employees include security guards and some custodial staff. An ID scanning device is installed within these departments that the employees use to swipe in and out each day. When an ID badge is scanned, the information is automatically communicated to Cold Fusion. Employees also request leave time in the leave request system. It is the responsibility of the employee's supervisor to approve the requested leave within the system. Once leave has been approved, the employee enters his/her leave hours into Cold Fusion system. Once employees enter their time, he/she must certify the hours worked, and leave requested, in Cold Fusion by clicking the approval button at the bottom of their timesheet. At the end of each pay period, managers, as assigned in Cold Fusion, receive the notification that employee hours have been entered and are ready for approval. Managers review employee hours and compare leave hours with those previously approved in the leave request system for accuracy and appropriateness. They then indicate that the employee hours are reviewed and approved in Cold Fusion by entering the pay period approval codes, generated by the system each pay period, and found at the bottom of each employee's timesheet in Cold Fusion. These codes are provided to Managers and Supervisors as a means to mitigate the risk of employee time being approved by an unauthorized user. Managers and employees receive an email each hour after 9am on the Monday following the pay period close if either party has not approved their hours in the system. Employees in certain divisions, including Transit, Work Force Services, Parks and Recreation, and Water and Sewer, do not receive log-in information for Cold Fusion. Employees within Transit, Work Force Services, and Parks and Recreation complete paper timesheets and provide them to their managers for entry into the System. This is due to these employees' job functions being primarily in the field, without access to a FCG computer terminal for timesheet entry. Paper copies of the timesheets for Transit employees are provided to Payroll for retention purposes. All other departments that use paper timesheets maintain copies of this information internally for their own records. Employees within Water and Sewer scan their employee ID badges at central locations at all facilities to record their time in and out. Information is automatically uploaded into Cold Fusion when ID badges are scanned. Water and Sewer Maintenance staff members also complete paper timesheets that are reconciled to the hours recorded within Cold Fusion by their supervisor at the end of each pay period. All other time entry steps are the same as described above.
II. Data Entry/Process Preparation	A Payroll Analyst reviews all PAFs received to ensure entry into PeopleSoft. Steps for entry are described at section **A. Personnel Action Forms Processing,** above. The Analyst then processes all extended sick leave and sick leave donor paperwork. In order to receive extended sick leave or sick leave donor time, an employee must complete a PAF and the additional paperwork associated with the leave type. For extended sick leave, an Extended Sick Leave Form is completed, approved by the employee's manager, and sent to Payroll for processing. Sick leave donor time occurs when an employee requires an extended absence for

B. Bi-Weekly Payroll Process	
	illness but has no additional leave time. Co-workers may then donate their leave time to the sick employee. In order to process sick leave donor time, a Leave Donation Form is completed, as well as a Medical Care Provider Statement, which is provided by the employee's physician. A PAF is also required to be filled out by the employee(s) donating the sick leave to the employee seeking the additional time. All forms must be signed by the appropriate managers, as well as a designated HR representative. All forms are delivered to Payroll to be processed. A list of terminations in the period is created and provided to the established email distribution listing which includes HR, IIT, and Payroll management, to name a few. The Analyst then refreshes PeopleSoft to ensure all new hires are appropriately reflected in the system. A Pre-Sheet Audit report is then run in PeopleSoft, printed, and attached to the payroll processing checklist.
III. Change Reports Creation and Communication	Once all data entry has been performed, the Payroll Analyst creates and communicates PeopleSoft change reports to the necessary parties. This includes two reports based on PAF changes. Additional change reports pertain to leave of absence (LOA) usage, as well as employee status change information such as a change from part-time to fulltime. These reports are provided to HR, where they verify benefits information for the employee, to make sure it is reflected accurately within the system. Additionally, a Payroll Action Notice report that indicates all new hires and rehires is run at this time, or after payroll has been processed. The Payroll Analyst reviews this report to ensure that the number of new/rehires is correct in comparison to the new hire interface within Cold Fusion. This report is provided to HR and the Payroll Administrator for review to ensure that all new hires and rehires are appropriate.
IV. Completion of the Payroll Processing Checklist	During payroll processing each period, a checklist is completed by the Payroll Analysts that includes all necessary process steps. This checklist is referred to as the Payroll Processing Checklist. Below are summarized descriptions of the overall processes contained within this checklist: a) *Run Error Reports and Correct Timesheets* Error reports are run for a variety of issues that may arise during the payroll processing function. These include hours greater/less than standard, leave balances less than zero, missing holiday hours, or allocation errors. These reports only return errors for the defined criteria; a blank report indicates that there are no errors. After running and reviewing the various error reports, the Payroll Analyst will make any necessary corrections in Cold Fusion. The error reports are rerun after the Payroll Analyst has made the corrections. If the reports return no errors, the process is considered to be complete. The reports are scanned then saved to the Payroll folder in the OnBase system for retention purposes. b) *Import Cold Fusion Data into PeopleSoft* Import files from Cold Fusion are loaded into the PeopleSoft Rapid Entry interface by a Payroll Analyst. Rapid Entry is the Time and Labor component of PeopleSoft. The import files include Current Time, Prior Period Adjustments, and Vouchers. A summary sheet is printed for each import that includes the time and amount of rows imported into PeopleSoft for each employee. The Payroll Analyst compares the total hours and lines between Cold Fusion and PeopleSoft to ensure agreement.

B. Bi-Weekly Payroll Process	
	c) *Run Queries and Reports in PeopleSoft* A series of reports and queries are run in PeopleSoft once the Cold Fusion data has been successfully imported. These queries will return errors in the event that any differences exist between PeopleSoft and Cold Fusion. If any errors are noted in these reports, the Payroll Analyst will make the necessary updates. d) *Perform Payroll Reconciliation* The queries and reports created are compared to the "Load Time and Labor," "Pre-Calc Audit", and "Pay Calc" reports in PeopleSoft to identify any errors. The "Load Time and Labor" report breaks the payroll information out by pay group (salaried, hourly, or fronted employees) and produces a total for each group. The "Pre-Calc Audit" report is another error check that contains all information for the pay period, including totals. The "Pay Calc" report creates the paychecks for the period. They will not have an assigned check number until they are printed. This report must be run in order for checks and advices to be printed for the pay period. The Payroll Analyst will correct any errors, as necessary. e) *Manual Adjustments* Several manual calculations are necessary to be performed during the processing of payroll. These calculations are listed and described in detail in section **C. Special Calculations** below. f) *Payroll Confirmation* Once all reconciliations have been performed and all manual adjustments made, the Payroll Analyst will confirm the payroll for the period within PeopleSoft by selecting the confirmation button. This process will create the checks for the period with check number, to be printed in IIT. This process is described further at **B. Bi-Weekly Procedures, V. Process Paychecks**. As part of the payroll confirmation, the Payroll Analyst reviews the overtime pay (OTP) and straight overtime (SOT) incurred in the period to verify that the appropriate amounts are being paid. Additionally, on a quarterly or as-needed basis, Accounting performs a review of the overtime incurred versus what has been budgeted. Any questionable variations are noted and additional analyses are performed to determine the cause of the discrepancy. g) *Notify Relevant Management* Once payroll has been processed and reconciled, and all errors have been corrected, the Payroll Administrator and relevant members of management are notified by the Payroll Analyst. The Payroll Administrator then performs a final review of all documentation included in the payroll package, which includes the check and advice registers, discussed at **B. Bi-Weekly Procedures, V. Process Paychecks** that are sent to the bank for further processing.
V. Process Paychecks	Once the payroll data has been accepted by the Payroll Administrator, paychecks are processed. The Payroll Analyst creates and prints the advice register and check register. She then creates and sends the Direct Deposit Transmission File and Positive Pay file and submits them to the bank via the website. The Analyst follows this submission with a call to the bank to confirm the deposit. The Payroll Analyst

B. Bi-Weekly Payroll Process	
	also confirms the receipt of the file on the banks website. The analyst then contacts Interagency Information Technology (IIT) notifying the department to prepare the printer to print the advices and physical paychecks. An IIT Specialist will retrieve check stock from a locked file cabinet in a secure room in the IIT department load the paper into the printer and change the cartridge in the printer to a MICR cartridge. IIT then notifies Payroll that the printer is ready to be used and a designated member of Payroll prints the paychecks. Once the paychecks have been printed in IIT, the Account Technician retrieves them, counts them, and prepares them for mailing.

C. Special Calculations	
Process	**Summarized Procedures**
I. Retro-payment Calculation	Retro-payments may be identified during the course of payroll processing. When a retro-payment is identified, HR prepares a notification letter that describes the rate change. This letter is sent to the employee and to Payroll and provides notification to the Payroll department to perform a retro-payment calculation. A manual calculation is created by the Payroll Analyst in Excel and is maintained in the monthly pay file. The Payroll Analyst must run a query within PeopleSoft to retrieve the historical pay data for the employee to be used in performing the retroactive pay calculation. The pay is reflected in the employee’s paycheck for the subsequent period.
II. Severance Calculation	The severance calculation is created by HR. The severance calculation for an employee is determined based upon parameters documented in the Frederick County Government Personnel Rules and the “Hit List” that specifies severance to be paid out to a specific list of Division Directors within the County. The completed calculation is provided to Payroll, where a Payroll Analyst ensures the correct number of days is reflected and the personnel rules are appropriate.
III. Manual Leave/Sick Leave Calculation	Full-time FCG employees accrue leave and sick leave at the beginning of each month, while accruals for part-time employees occur each pay period. When an employee is hired or terminated in the middle of a month, his/her leave accrual must be adjusted to reflect actual time worked. PeopleSoft will not automatically calculate a leave accrual adjustment, so a manual calculation must be performed by the Payroll Analyst. The Payroll Analyst finds the number of days worked for the pay period as a percentage of the number of days in the pay period, and applies that percentage to the number of hours accrued. The leave accrual is made based on this calculation. The leave adjustment is documented on a PAF and signed by the Payroll Analyst. The calculation is reviewed by the Payroll Administrator once it has been entered into PeopleSoft.
IV. Firefighter Overtime Calculation	A manual calculation must be performed by a Payroll Analyst every other period to determine the correct pay for each firefighter. This calculation is necessary due to the variations in the types of overtimes that these employees receive. Firefighters receive both straight overtime (SOT), which are overtime hours paid at the normal hourly rate, and firefighter overtime (FOT) which are hours paid at time and a half. In order to calculate the correct firefighter pay, the Payroll Analyst pulls the firefighter timesheet from ColdFusion and enters the hours information into an Excel spreadsheet. This spreadsheet in designed to calculate the specified overtime hours at the appropriate rates and calculate the difference in pay owed to the firefighter. Upon

C. Special Calculations

calculating this amount, the Payroll Analyst enters it into PeopleSoft and processes it with the current payroll. Firefighter overtime calculations are reviewed as part of the normal payroll review process to ensure the calculations properly reflect the overtime worked in a period.

Additionally, compensation is provided to firefighters who are ALS certified or who have worked on the medical unit during the pay period. Firefighters with ALS certification receive a $4,000 bonus paid out evenly throughout the year. Payroll receives a PAF with the information pertaining to the receipt of the bonus. A Payroll Analyst divides the amount over the year and adds the calculated amount to the employee’s timesheet to reflect the bonus within ColdFusion and PeopleSoft.

Additionally, Firefighters that work the medic unit receive an additional $3.00/hr. It is the responsibility of the employee’s supervisor to indicate how many hours he/she worked on the medic unit within a pay period. The higher pay rate is reflected in their pay for the period.

D. Salary Adjustments

In a year where annual raises are approved by FCG, a single load file, created by the HR specialist, is provided to Payroll. This is done for all County employees at the same time, with the exception of police officers. Police officers are given raises on their yearly anniversary dates. These raises are entered into PeopleSoft by a designated HR representative.

Payroll is responsible for ensuring that raises are properly entered into PeopleSoft. In order to gain assurance that the file load is accurate, Payroll loads the file into the PeopleSoft test environment and generates the increased pay amounts for all employees. The Payroll Administrator reviews a representative sample of the new pay rates and recalculates what is owed to the employees. Once a high level of comfort is achieved, the file is provided to IIT to load into PeopleSoft. HR is ultimately responsible for ensuring that annual raises have been appropriately applied to each of the county’s employees.

E. FLSA Considerations

Fair Labor Standards Act (FLSA) applicability is considered at the time of new employee set-up in the system. It is the responsibility of the employee’s department head to verify that he/she meets the appropriate requirements and that the new employee is established in PeopleSoft in compliance with FLSA requirements based on his/her position. A specific FLSA consideration is the correct application of overtime hours. Overtime is paid every pay period to any employee who works over 40 hours in a week. PeopleSoft will automatically calculate employee overtime, as appropriate.

The overtime calculation is handled differently for employees who work in DFRS. Section 7(k) of the FLSA provides that:

> Employees engaged in fire protection may be paid overtime on a "work period" basis. A "work period" may be from 7 consecutive days to 28 consecutive days in length. For work periods of at least 7 but less than 28 days, overtime pay is required when the number of hours worked exceeds the number of hours that bears the same relationship to 212 as the number of days in the work period bears to 28. For example, fire protection personnel are due overtime under such a plan after 106 hours worked during a 14-day work period.

Employees within this department are scheduled bi-weekly in three rotating shifts: 72 hours, 96 hours,

E. FLSA Considerations
and 120 hours. At the end of the 28 day cycle, after DFRS employees have completed two pay periods, FOT is calculated and paid out based on the 212 hour overtime threshold, as required by FLSA. This process is automatically administered within PeopleSoft for these employees. A resource in the HR department is available to answer questions from management regarding possible FLSA implication.

Appendix B

Frederick County Government
Payroll and Timesheet Review
Departmental Timekeeping and Scheduling Procedures

Purpose
The purpose of this document is to describe the specific timekeeping and scheduling procedures for several departments with the Frederick County Government (FCG or the County). Through analysis of overtime pay and hours incurred during FY14&15, SC&H identified three departments that were within the top overtime earning segments of the County. These departments included the Division of Fire and Rescue Services (DFRS), the Sheriff's Office/Detention Center, and the Division of Utilities and Solid Waste Management (DUSWM). Several questions were posed to each department and responses were requested. SC&H received written responses and conducted in-person meetings with each department. The questions asked of each department included: • **Question 1**: Does your department have specific policy and procedural documentation with regard to the assignment of overtime hours? If so, will you please provide this documentation, or include the policy information within your response? • **Question 2**: What are management's procedures for tracking and approving employee overtime? Are there any specific budgetary constraints considered? • **Question 3**: What are the procedures for coordination and assignment of staff schedules? Is there a system for assigning overtime to the various employees within your department? • **Question 4**: This question differed for each department as it related to specific employees with high levels of overtime. For each of these high earning employees, SC&H inquired as to the job requirements that would cause such large amounts of overtime, as well as the cause for overtime being centralized to the identified individual rather than more evenly spread throughout the team. The document below summarizes the responses for each of the departments. These summaries were crafted by SC&H based upon the input of each department and approved by the departmental contacts.

Summarized Question Responses	
Department	**Responses**
Division of Fire and Rescue Services (DFRS)	• **<u>Response to Question 1</u>** DFRS does not currently have formal policy and procedural documentation that sets specific guidelines for staff scheduling and the assignment of overtime hours. However, there are standardized rules within the Telestaff scheduling system that delineate who is the recipient of overtime shifts. These rules are based on rank, specialty, proximity of the employee to the 212 hours in an FLSA cycle, hourly rate, number of SOT hours worked in the year, and the last SOT shit worked. Formal documentation of policies and procedures has been previously recommended by the Director of Internal Audit in a memo related to an earlier review, dated July 1, 2014. Policies have been created and communicated to employees with regard to leave accrual and usage as well as overtime as it relates to scheduling. Included in these policies are supervisor's responsibilities for reviewing and approving employee timesheets. The guidance provided to supervisors pertains to the expected timeframes for performing administrative review and approval of employee timesheets. These policies were communicated with the "Fire and Rescue Timesheet Training" presentation. • **<u>Response to Question 2</u>**

Summarized Question Responses	
	Overtime is presently monitored and assigned by DFRS schedulers. Due to the minimum staffing requirements necessary for each firehouse and an understaffed workforce, frequent overtime is necessary. Specific budgetary constraints are not generally considered with regard to overtime, as overtime is required in order to maintain a fully operational DFRS fleet. DFRS employees are paid two types of overtime. Straight overtime (SOT) is additional hours paid at the employee's normal hourly rate. This occurs for all excess hours less than 212 hours worked in an FLSA cycle. Full or firefighter overtime (FOT) is overtime paid at time and a half for any hours over 212 worked in an FLSA cycle. Employee sick and leave time do not constitute hours worked when calculating SOT versus FOT.. Employee overtime is approved by his/her direct supervisor upon approval of the employee timesheet. • **<u>Response to Question 3</u>** Staff schedules are presently assigned to each DFRS employee at the beginning of the year. Employee schedules are loaded into the Telestaff time management system which is also used to manage leave hours. Employees are assigned 72, 96, or 120 schedules every two weeks. Leave usage is managed by the employee's direct supervisor. Employees must project their leave usage one year in advance. Beginning in May 2014, a full time scheduler was assigned to handle the administration of FOT. However, this role was dissolved in October 2014. DFRS is currently in the process of incorporating a new manager in charge of scheduling all personnel. This role was implemented officially as of December 26th, 2015. This manager will track employee leave and manage overtime usage. Additionally, this person will work to ensure that those employees slated to receive SOT are scheduled for overtime prior to employees due FOT. The main driver over overtime within DFRS is the understaffed workforce. At the time of this review, DFRS management noted there were 19 vacancies for full time staff members. Additionally, DFRS consistently sees an average of 12 full time employees that are absent from their field assignments dues to FMLA, workers compensation related injuries and non-work related injuries/illness, and other unanticipated circumstances that create long-term absences. Employees may be asked to work a second shift to cover another staff member who is unavailable at a fire station. Employees may also be called in to work during otherwise planned time off due to minimum staffing requirements at the fire stations. Employees with specialized certifications are more likely to incur overtime than those without. • **<u>Response to Question 4</u>** Individuals with high amounts of overtime are the result of some employees volunteering to perform additional overtime, while others choose not to accept these hours. Additionally employees with specific certifications may be relied upon more heavily to perform overtime, as they can perform multiple essential roles. DFRS allows all employees the opportunity to sign up for overtime.
Sheriff's Office/Detention Center	• **<u>Response to Question 1</u>** The Sheriff's Office and Detention Center currently have formal policy and procedural documentation that set specific guidelines for staff scheduling and the

Summarized Question Responses	
	assignment of overtime hours. Expectation and scheduling procedures are communicated from management to supervisors and staff members. Supervisors monitor overtime and scheduling for compliance with the informal guidance communicated by management. • **<u>Response to Question 2</u>** Overtime is tracked by employee supervisors. Overtime hours are reviewed on the employee's timecard each pay period and are considered for appropriateness. Specific tracking procedures employed by the Detention Center include the maintenance of a schedule that notes each employee's leave time and overtime usage for each pay period. This allows the department to note the cause of overtime. Within the Sheriff's Office there are several procedures that are used to track overtime. These procedures include overtime slips, supervisory notification and approval, and review of appropriate timesheet codes. The Sheriff's Office and Detention Center have minimum staffing requirements. As both areas are currently understaffed, this results in frequent overtime. Additionally, a major factor in driving overtime within the Sheriff's Office is the need for deputies to attend court. Court scheduling is handled separately from the Sheriff's Office and deputies must rework their schedules to accommodate their required appearances. Budget is not specifically considered when assigning or approving overtime hours, as overtime is incurred to meet minimum staffing levels. Additionally, certain assignments require employees with specific backgrounds, such as a firearms certification. Specific staffing requirements further reduce the available pool of officers, which drives additional overtime. • **<u>Response to Question 3</u>** Sheriff's Office overtime may be voluntary or mandatory depending upon the job task and needs of the force. Overtime hours are earned for all employees who work greater than 80 hours within a pay period. Personnel are occasionally required to find someone to cover a portion of their shift, which may result in an individual accruing overtime for the period. Additionally, overtime may occur when the tasks required of an officer extend beyond their normal shift length. The Detention Center maintains a rotating overtime listing for it staff members. Employees are assigned to work a shift, and are then placed at the bottom of the list, which cycles through all employees before repeating an employee who receives overtime. As noted in the response to Question 2, certain assignments require specifically credentialed employees. When the need for an employee with a specific skillset or background is required, the rotating list may be forgone to meet the necessity of an assignment. An additional overtime scheduling requirement within the Detention Center is that, to the extent possible, employees scheduled to cover the shifts of others should be at the same staffing level (i.e. officer for officer, lieutenant for lieutenant). • **<u>Response to Question 4</u>** Individuals with high amounts of overtime are the result of some employees volunteering to perform additional overtime, while others choose not to accept these hours. However, all employees are afforded the same opportunity to volunteer for overtime, and all employees work mandatory on-call overtime,

Summarized Question Responses	
	when needed. Within the Detention Center, staff that work 12 hour shifts five days in a row must take a required day off. Officers who work two day on, two day off schedules may work on one of these days off but not both. These requirements limit officer overtime. Additionally, employees with specific certifications may be relied upon more heavily to perform overtime, as they can perform multiple essential roles. In some cases, overtime staffing may be given to employees known to be most frequently available and willing to work additional hours.
Division of Utilities and Solid Waste Management (DUSWM)	• **Response to Question 1** DUSWM does not currently have formal policy and procedural documentation that sets specific guidelines for staff scheduling and the assignment of overtime hours. Within DUSWM, there are three departments that accumulate the most overtime: 1) Department of Wastewater Treatment and Disposal: A written memorandum, regarding timesheet and overtime rules has been circulated to all employees within this department. There is currently no formal policy and procedural documentation that set specific guidelines for staff scheduling and the assignment of overtime. 2) Department of Water Purification and Distribution: There is currently no formal policy and procedural documentation that set specific guidelines for staff scheduling and the assignment of overtime. 3) Department of Water and Wastewater Maintenance: There is currently no formal policy and procedural documentation that set specific guidelines for staff scheduling and the assignment of overtime. • **Response to Question 2** The tracking and approval of employee overtime is handled differently across the three departments that accumulate the most overtime within DUSWM: 1) Department of Wastewater Treatment and Disposal: Overtime is assigned on a first come, first serve basis. A monthly sign-up sheet is posted where all employees have access to it, and is completed on a voluntary basis. Overtime incurred, is approved through the regular supervisory timesheet review and approval. Specific budgetary constraints are not generally considered with regard to overtime, as overtime is scheduled and monitored utilizing the sign-up sheet. 2) Department of Water Purification and Distribution: There is currently no tracking of individual's accumulated overtime hours within the department. Supervisors are made aware of individuals who are working overtime. Notes are typically added to the employee's timesheet as to the nature of the overtime worked. Timesheets are reviewed and approved by three supervisors. Each approver verifies that overtime hours are justified before approving an employee timesheet. Specific budgetary constraints are not generally considered with regard to overtime, as overtime is generally incurred in more extenuating circumstances. 3) Department of Water and Wastewater Maintenance: There is currently no tracking of individual's accumulated overtime hours within the department.

Summarized Question Responses	
	Supervisors are made aware of the day-to-day incidents that may result in an employee accruing overtime hours. Overtime incurred, is approved through the regular supervisory timesheet review and approval. Specific budgetary constraints are not generally considered with regard to overtime, as overtime is generally incurred in more extenuating circumstances. Additionally, when overtime is incurred due to short staffing as a result of a vacant position, a portion of the budgeted salary for the vacant position is used to cover the overtime costs. • **<u>Response to Question 3</u>** The coordination and assignment of staff schedules is handled differently across the three departments that accumulate the most overtime within DUSWM: 1) <u>Department of Wastewater Treatment and Disposal</u>: Staff schedules are determined based on what best suits the needs of the department. The department is in charge of manning the Ballenger-McKinney Wastewater Treatment Plant. This facility is required to be manned 24 hours per day, 7 days per week. This is accomplished through the assignment of three shifts per day. Each staff member is required to work all three shifts through a rotating schedule. 2) <u>Department of Wastewater Purification and Distribution</u>: Staff schedules are created before the start of each new calendar year. Within the department, there are five teams and five corresponding shifts. Each team is assigned to a new shift each year. 3) <u>Department of Water and Wastewater Maintenance</u>: Each week, a meeting is held with all Maintenance and Operations Supervisors to determine the weekly work schedule. Hours and projects are assigned and communicated to staff members each week. • **<u>Response to Question 4</u>** Within DUSWM, certain individuals may accumulate more overtime than others, due to one or more reasons. There are many positions within DUSWM that require a certain skill that cannot be performed by untrained personnel. Typically, only individuals with the specific skills needed to correct an issue are called when an emergency arises. A limited number of individuals across departments are dual-certified in water and wastewater, and may be called to fulfill a need when there is an opening in the schedule. Additionally, an individual incurring more overtime can be attributable to an employees' desire to work overtime. Overtime is made available to all staff, but those that work more overtime are those that volunteer to cover shifts or come in on days they wouldn't normally work.

FREDERICK COUNTY GOVERNMENT

Jan H. Gardner
County Executive

DIVISION OF FINANCE
Accounting Department

Lori L. Depies, CPA, Division Director
Erin White, CPA, Director

MEMORANDUM

TO: Tricia Griffis, CPA, Director, Internal Audit Division

THROUGH: Lori L Depies, CPA, Director, Finance Division ld

THROUGH: Erin White, CPA, Accounting Director EW

FROM: Kathi Tritsch, Accounting Teamleader KT

DATE: March 7, 2016

SUBJECT: Response to Draft Report on Frederick County Payroll and Timesheet Audit for the Period July 1, 2013 through June 30, 2015

I have reviewed the draft report and per your request have the following responses relating to the recommendations stated in the report.

Recommendation 1 – Payroll Change/Audit Report
Management Response:
The County's Accounting Department acknowledges the need for such a report. At this time the County is in the process of implementing a new ERP system which contains both a new timekeeping and payroll module. They are currently scheduled to go live approximately January 1, 2017. It is our understanding that the new system has better controls and reports in place to lessen the risk of unauthorized changes in the HR/Payroll system. The County does not feel it would be cost effective or a good use of staff resources to create a new payroll change report in the current system as it will no longer be used in less than twelve months.

Recommendation 2 – Timesheet Change Report
Management Response:
The County's Accounting Department acknowledges the need for such a report. As stated in our response to Recommendation 1, at this time the County is in the process of implementing a new ERP system which contains both a new timekeeping and payroll module. They are currently scheduled to go live in February 2017. It is our understanding that the new system has better controls and reports in place to lessen the risk of unauthorized changes in the timesheet system. Once in place, the payroll department will utilize any available reports to do spot checks of any changes made within the system. The County does not feel it would be cost effective or a good use of staff resources to create a new timesheet change report in the current system as it will no longer be used in the near future.

Recommendation 3 – Paycheck User Review
Management Response:
The County agrees with this recommendation. The IIT Division is currently working on creating a report to be reviewed on a regular basis. This report is expected to be complete in March 2016.

Recommendation 4 – Payroll Check Stock Storage

Managements Response:

The County feels the storage location of payroll check stock is adequate and the risk of unauthorized paychecks is minimal. The County along with Bank of America has a Positive Check Pay policy in place. The policy will not allow Bank of America to pay on any check for which they have not received positive pay advice from the payroll department. This advice is sent electronically to them prior to each payday and includes the check number, name, and amount for each check processed. Bank of America contacts the Treasurer's office immediately for any check presented for payment which is not on the list.

Recommendation 5 – Alternatives to Issuing Physical Paychecks

Managements Response:

The County currently has a policy in place stating that all employees must either have direct deposit and/or a Bank of America Paycard. The only checks printed are for terminations or direct deposit pre-notes. As stated in Recommendation 1, the County is in the process of implanting a new ERP system. We have been told that this system will store bank routing numbers and therefore may eliminate the need for pre-noting direct deposits. This will reduce the number of checks printed to only terminations and the very rare out-of-cycle check.

Please let me know if you have any questions or concerns.