

AUDIT REPORT

An Audit of Salt Lake County Facilities Services

JANUARY 2024



PAYROLL

SALARIES



Chris Harding, CPA, CFE, CIA
County Auditor

Office of the Auditor
Salt Lake County

Audit Team

Brenda Nelson, CISA, Audit Manager

Tammy Brakey, Sr. Internal Auditor

Audit Management

Chris Harding, CPA, CFE, CIA, County Auditor

Richard Jaussi, MBA, Chief Deputy Auditor

Roswell Rogers, Senior Advisor

Shawna Ahlborn, Audit Division Director

Audit Committee

Marty Van Wagoner, CPA, MBA

Jordan Fuller, CPA, CGMA, CISA



Office of the Auditor
Salt Lake County
2001 S State Street, Ste N3-300
Salt Lake City, UT 84190-1100
Phone: (385) 468-7200

www.slco.org/auditor

Salt Lake County Auditor



Chris Harding, CPA, CFE, CIA
County Auditor

2001 S State Street, Ste N3-300, Salt Lake City, UT 84190
Phone: (385) 468-7200 www.slco.org/auditor

AUDITOR'S LETTER

January 2024

I am writing to present the findings of our recent audit of the Facilities Payroll operations for the period from September 1, 2021 to August 31, 2022. This audit aimed to evaluate the internal controls over payroll processes in the Facilities Department.

Our audit revealed several areas requiring urgent attention to enhance operational efficiency and compliance with established standards. It highlighted a lack of reconciliation between personnel action forms and payroll data, inadequacies in leave balance verifications, and insufficient documentation for employee time adjustments. The report also pointed out weaknesses in the oversight of payroll processing and a need for improved training for staff responsible for payroll functions. Additionally, the audit found discrepancies in overtime payments and inconsistencies in the application of payroll policies, emphasizing the need for more stringent control measures and regular audits to ensure compliance and accuracy in payroll operations. These issues indicate a need for more robust internal controls and stricter adherence to existing procedures to mitigate potential risks to operational effectiveness and regulatory compliance.

We strongly recommend that the Facilities Department promptly review and implement the recommendations detailed in the attached audit report. Neglecting these issues could pose significant risks to the county's operational and financial stability.

This audit was authorized under Utah Code Title 17, Chapter 19a, "County Auditor", Part 2, "Powers and Duties." We conducted this performance audit in accordance with generally accepted government auditing standards. 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.

We appreciate the cooperation of all involved departments and offices during this audit. For further details, please refer to the enclosed detailed audit report. Should you require any further information or clarification, please do not hesitate to contact me at 385-468-7200.

A handwritten signature in black ink that reads "Chris Harding".

Chris Harding, CPA, CFE, CIA
Salt Lake County Auditor

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FACILITIES DEPARTMENT PAYROLL AUDIT

JANUARY 2024

Objectives

The audit objectives were to provide reasonable assurance that the internal controls in place are adequate and effective and that the payroll processes comply with all applicable fiscal ordinances, policies, and procedures. Areas of audit focus included the processes and procedures for the following:

- Onboarding of new employees
- Timekeeping
- Special allowances paid through payroll
- Overtime and compensatory time
- Reconciliations of payroll time and expenditures
- Offboarding of terminated employees

REPORT HIGHLIGHTS

No reconciliation procedures for external application data transferred to payroll software

For the ten pay periods tested during the audit period, an average of 50 of the 72 Facilities Services employees recorded their time using a separate work order and scheduling software. The Payroll Coordinator then manually entered the time into the County's payroll system, PeopleSoft, to process payroll. No reconciliation was performed to ensure time matched in both systems. We sampled the entire population for 3 pay periods and found that time in PeopleSoft did not match the external system for at least one employee per pay period.

Timecard approvals by individuals lacking sufficient authority

We selected a random sample of 17 employees, with over 4,000 timecard entries, for review. In total, the employees had 289 (6.8%) time entries approved by an individual that was not their supervisor according to PeopleSoft and that did not have a title that indicated a supervisory or management role. Of significant concern we noted that the Fiscal Coordinator approved two of her own time entries. Additionally, there were 92 time entries by the Division Director and Associate Division Director that were approved by the Fiscal Coordinator or the Administrative and Fiscal Manager. Both individuals were either subordinates or peers.



Finding Risk Classifications

Classification	Description
<p>1 – Low Risk Finding</p>	<p>Low risk findings may have an effect on providing reasonable assurance that County funds and assets were protected from fraud, waste, and abuse.</p> <p>Recommendations may or may not be given to address the issues identified in the final audit report. If recommendations are given, management should try to implement the recommendations within one year of the final audit report date if possible. Follow-up audits may or may not focus on the status of implementation.</p>
<p>2 – Moderate Risk Finding</p>	<p>Moderate risk findings may have an effect on whether there is reasonable assurance that County funds and assets were protected from fraud, waste, and abuse.</p> <p>Recommendations will be given to address the issues identified in the final audit report. Management should implement the recommendations within one year of the final audit report date if possible. Follow-up audits will focus on the status of implementation.</p>
<p>3 – Significant Risk Finding</p>	<p>Significant risks are the result of one or more findings that may have an effect on whether there is reasonable assurance that County funds and assets were protected from fraud, waste, and abuse.</p> <p>Recommendations will include necessary corrective actions that address the significant risks identified in the final audit report. Management should implement the recommendations within six months of the final audit report date if possible. Follow-up audits will focus on the status of implementation.</p>
<p>4 – Critical Risk Finding</p>	<p>Critical risks are the result of one or more findings that would have an effect on whether there is reasonable assurance that County funds and assets were protected from fraud, waste, and abuse.</p> <p>Recommendations will include necessary corrective actions that address the critical risks identified in the final audit report. Management should implement the recommendations as soon as possible. Follow-up audits will focus on the status of implementation.</p>

BACKGROUND

The Salt Lake County Auditor's Audit Services Division completed an audit of the Salt Lake County Facilities Services Payroll Operations for the period of September 1, 2021, to August 31, 2022. The audit was performed in conjunction with a Countywide Audit of Payroll Operations, focusing on Mayor's Finance Administration (Payroll Administration), Human Resources, and 12 County Agencies.

For the audit period, the Facilities Services' payroll encompassed a workforce of 72 employees, with cumulative earnings of \$4.6 million.

The Facilities Services' Human Resources and Payroll Coordinators are entrusted with the responsibilities of employee hiring, rehiring, promotions, and terminations, as well as processing timekeeping and special allowances.

OBJECTIVES AND SCOPE

The audit objectives were to provide reasonable assurance that the internal controls in place are adequate and effective and that the payroll processes comply with all applicable fiscal ordinances, policies, and procedures. Areas of audit focus included the processes and procedures for the following:

- Onboarding of new employees
- Timekeeping
- Special allowances paid through payroll
- Overtime and compensatory time
- Reconciliations of payroll time and expenditures
- Offboarding of terminated employees

The scope of the audit was from September 1, 2021 to August 31, 2022.

AUDIT CRITERIA

Human Resources Policy 5-100: Pay and Employment Practices establishes procedures to implement pay practices and provide the foundation for a performance-based pay system. Procedures include:

- Department management and Human Resources roles and responsibilities
- Temporary Employee compensation
- Employment practices for rehire, transfer, promotion, termination
- Pay Differentials

- Career development, such as acting in positions, temporary assignments, and in-grade advancements
- Bonus Awards and Incentive Plans

Human Resources Policy 5-300: Payroll establishes a uniform and consistent application of the provisions of the Salt Lake County Payroll System. The policy’s purpose is that the maintenance of payroll records for each employee will be consistent with FLSA requirements. Procedures include:

- Certification of Payrolls
- Payment Procedures
- Off-Cycle Checks
- Termination Pay
- Payroll Corrections
- Overtime and Compensatory time
- On Call Duty Assignments

Salt Lake County Human Resources Policy 2-500: Background Check Requirements, Section II Procedures, A.1, states, “The Human Resources Division, in consultation with the relevant agencies and the District Attorney’s office, will identify and maintain a current list of designated positions and volunteer functions that are subject to background checks.”

US Government Accountability Office (GAO) December 2000 publication “Maintaining Effective Control Over Employee Time and Attendance Reporting” outlines best practices for an internal control environment for a time and attendance reporting system. Publications key area for this audit included the authorization and approval of time and attendance transactions.

METHODOLOGY

We used several methodologies to gather and analyze information related to our audit objectives. The methodologies included but were not limited to:

1. Auditors met with agency personnel to gain an understanding of payroll procedures and agency controls in place. Processes were observed, documented and agreed upon.
2. Controls were observed in operation, such as employee use of physical timeclocks, safeguarding of sensitive documents, and payroll system access controls.
3. Documents were examined, such as emails or memos authorizing overtime, gift card request forms, and W-4s.
4. Payroll data was analyzed, such as analytics to identify whether timecards were approved, and no terminated employees were still

receiving a paycheck.

5. Where appropriate statistical or judgmental sampling was used to identify transactions selected for review.

CONCLUSIONS

During the COVID-19 pandemic, payroll operations throughout the County were more vulnerable to deviations from existing internal controls derived from established policies and procedures. While we did not find evidence of wrongdoing, we noted payroll operations did not comply with several key controls, including those required by County policy, such as:

- No reconciliation of timekeeping data transferred to the payroll system
- Timecard approvals by individuals lacking sufficient authority
- Lack of internal compensatory policy for exempt employees
- Overtime and compensatory time incongruent with employee elections
- Inaccurate entry of W-4 data

As a result, there is an increased risk of undetected errors and omissions, potential fraud, waste, and abuse related to time keeping and payroll processing. To mitigate these risks and improve operational effectiveness, it is crucial for Facilities Services management to establish and implement written policies and procedures regarding payroll processing, including practices to monitor for compliance. In addition, management should collaborate with Human Resources and Mayors Finance Administration (“MFA”) Payroll Administration to expand and reinforce Countywide policies and procedures related to payroll.

FINDING 1 AND RECOMMENDATIONS

No Reconciliation of Data Transferred to the Payroll System

Risk Rating: **Significant Risk Finding**

During the audit period, Facilities Services employed a work order and scheduling software to monitor billable hours. Over the course of the ten pay periods examined, an average of 50 out of the 72 Facilities Services employees utilized this software to record their working hours. Subsequently, the Payroll Coordinator manually inputted this recorded time into the County's payroll system, PeopleSoft. Notably, no reconciliation process was implemented to cross-verify the accuracy of time entries between the work order and scheduling software and PeopleSoft.

The absence of a reconciliation process between systems contributes to risks of errors and omissions, leading to incorrect payments and leave balances, and poses potential legal and reputational risks for Salt Lake County.

To assess the accuracy of data transfer, we conducted tests during 10 out of the 27 pay periods within the audit scope. For three of these pay periods, we examined all employees using the external system. Our findings revealed discrepancies between the time recorded in PeopleSoft and that in the external system for at least one employee per pay period. In the remaining seven pay periods, we conducted random reviews of five employees, uncovering an additional error.

Salt Lake County Payroll Manual, specifically Section 4 titled "Payroll Coordinator Responsibilities," underscores the importance of having procedures in place to ensure accurate results from the chosen timekeeping system. It emphasizes the necessity of robust internal controls to guarantee timely and precise organizational payrolls and the distribution of paychecks exclusively to legitimate employees, unless other lawful and appropriate arrangements have been made.

Notably, two of the four identified errors occurred when employees entered data into the external system after the Payroll Coordinator had already inputted the data in PeopleSoft. Regrettably, these discrepancies were not communicated to the Payroll Coordinator. The remaining inconsistencies were addressed by the Administrative Fiscal Coordinator, attributing one to a data entry mistake. In the second case, an employee inadvertently recorded an hour of training in PeopleSoft as zero hours in the external system's timecard.

The Administrative Fiscal Coordinator stressed that the prevention of data entry errors could be achieved, and efficiency increased if direct data uploads to PeopleSoft were feasible, eliminating the need for manual entry. However, given that errors occurred due to time being entered in

the external system after the data transfer to PeopleSoft by the Payroll Coordinator, a reconciliation process remains a crucial control. The absence of such reconciliations elevates the likelihood of errors and omissions, potentially affecting leave balances and causing employees to be under or overpaid.

Among the four employees with discrepancies, two were underpaid by a total of 2.25 hours. The third employee incorrectly reported 7 hours of sick leave, with regular salary hours erroneously recorded. In contrast, the fourth employee's time entries in PeopleSoft were accurate and did not impact pay or leave balances. While the noted variances were not significant overall, the absence of a reconciliation process heightens the risk of more substantial discrepancies going undetected. This not only exposes Salt Lake County to potential legal liabilities but also poses a reputational risk.

1.1

RECOMMENDATION

Payroll Corrections

We recommend that Facilities Services Management work with Payroll Administration to make the necessary corrections to the employees' time for the variances identified.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - ALREADY IMPLEMENTED

SEE PAGE 21 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

1.2

RECOMMENDATION

Reconciliation Process

We recommend that Facilities Services Management implement a documented reconciliation procedure to ensure the accuracy of time transferred from the external system to PeopleSoft to ensure accuracy and completeness. Procedures should include an independent review and approval of the reconciliation performed.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - ALREADY IMPLEMENTED

SEE PAGE 21 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

1.3

RECOMMENDATION

Data Input

We recommend that Facilities Services Management collaborate with Information Technology and Payroll Administration to explore automatic upload of external timekeeping data into PeopleSoft to increase efficiency and reduce the risk of errors and omissions.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - ALREADY IMPLEMENTED

SEE PAGE 21 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 2 AND RECOMMENDATIONS

Timecards Not Approved by a Supervisor

Risk Rating: **Significant Risk Finding**

Deviation from proper procedures on approving time can increase the potential for fraud, waste, and abuse.

Employee timecards are essential for maintaining accurate records of work hours, streamlining payroll processes, and ensuring compliance with labor laws, county, and division policies. They also provide crucial data for stakeholders.

Our review included a sample of 17 employees, encompassing over 4,000 timecard entries. We discovered that 289 of these entries (6.8%) were approved by someone other than the employee's supervisor, as per PeopleSoft records, and the approver did not hold a supervisory or management title.

Alarming, we found that the Fiscal Coordinator approved two of her own time entries. Furthermore, the Division Director and Associate Division Director had 92 time entries approved by either the Fiscal Coordinator or the Administrative and Fiscal Manager, both of whom are their subordinates.

The Government Accountability Office (GAO) December 2000 publication "Maintaining Effective Control Over Employee Time and Attendance Reporting," states,

"Primary responsibility for authorizing and approving T&A transactions rests with the employee's supervisor, who approves the employee's T&A reports. Timekeepers and supervisors must be aware of the work time and absence of employees for whom they are responsible to ensure the reliability of T&A data."

In response to our findings, management indicated that 193 of the 289 questionable approvals (68%) occurred while the responsible supervisor was abroad. During this period, she delegated the approval process to her team, but this was not properly documented, resulting in unclear approval responsibilities. Additionally, 43 approvals (15%) happened because the approvers couldn't access the employees' timecards in PeopleSoft due to ongoing configuration changes. Thirty-three approvals (11%) were attributed to staff trying to be helpful and ensuring payroll was processed timely. Management couldn't explain 12 approvals (4%) and identified eight (3%) as corrections.

When supervisors do not approve employee timecards, it can reduce employee accountability and increase the risk of non-compliance with policies, laws, and regulations. It also raises the potential for payroll

inaccuracies. Approvers other than the employee's supervisor might not be fully aware of the worked hours or authorized working hours, leading to possibilities of fraud, waste, and abuse.

2.1

RECOMMENDATION

Written Procedures

We recommend that Facilities Services Management establish and implement written policies and procedures that include:

- Clearly defined guidelines outlining the review and approval process for employee time by their direct supervisors or managers.
- Procedures addressing situations in which the direct supervisor is unavailable to approve time, specifying necessary documentation required to ensure proper oversight and accountability.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - JANUARY 31, 2024

SEE PAGE 21 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

2.2

RECOMMENDATION

Documentation

We recommend documentation be retained on file whenever a delegated supervisor approves an employee's timecard in the absence of the direct supervisor. This can be achieved by utilizing PeopleSoft's delegation and comments feature, using the comments section available upon timecard approval, or other documentation.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - JANUARY 31, 2024

SEE PAGE 21 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 3 AND RECOMMENDATIONS

Retroactive Payment Miscalculation

Risk Rating: **Significant Risk Finding**

We analyzed controls over retroactive payroll payments (retro payments), which compensate employees for previous pay period shortfalls. Examples include back pay for raises, shift differentials, or acting-in-rate payments that were due but not previously paid.

During the audit period, Facilities Services processed nine retro payments. After excluding adjustments or negative transactions and comparing with the countywide average retro payment of \$280, we identified a \$2,400 payment for further review. This payment resulted from a Career Mobility Assignment increase of \$600 per pay period, intended to enhance skills through temporary assignments, often with additional pay.

The employee's assignment, as recorded in PeopleSoft, should have led to a retroactive payment of \$2,100 for three and a half pay periods (seven weeks). However, the employee received \$2,400 for four pay periods (eight weeks), resulting in a \$300 overpayment.

Upon requesting documentation for the payment's calculations, the Facilities Services Administrative and Fiscal Manager indicated uncertainty about whether the system or manual calculation was used. She was unaware of the need for manual calculation.

On February 7, 2022, the MFA Payroll Administrator emailed Facilities Services to inquire about the amount they calculated for the retro payment. In response, the Fiscal Coordinator stated that there were four pay periods since the assignment took effect and the retro pay amounted to \$2,400. Since PeopleSoft does not prorate partial pay periods, the Payroll Administrator noted in her response that the amount matched the system calculation and went forward with that amount, instead of a pro-rated amount of \$2,100.

The United States Government Accountability Office (GAO) 2014 Standards for Internal Control in the Federal Government, Section 10.02, emphasizes designing control activities to fulfill responsibilities and manage risks. "Management designs control activities to fulfill defined responsibilities and address identified risk responses. Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks. As part of the control environment component, management defines responsibilities, assigns them to key roles, and delegates authority to achieve the entity's objectives."

We evaluated controls over retroactive payroll payments and identified an overpayment due to improper calculation practices in Facilities Services. A lack of formalized procedures and training for handling retro payments contributed to this error. The absence of clear, documented policies and training for Payroll Coordinators increases the risk of undetected payroll inaccuracies.

County Human Resources Policy 5-300: Payroll, II. 4, assigns payroll recording and accuracy responsibility to each payroll unit.

Despite this policy, there are no specific procedures for retroactive payments. This gap results from the lack of formal Countywide Payroll Procedures, internal agency procedures, and adequate training for Payroll Coordinators. Consequently, there is confusion and inconsistency in handling retro payments.

The absence of documented policies and procedures, including defined roles and responsibilities, can lead to key controls being unestablished or weakening over time. This increases the likelihood of errors and omissions, which may result in undetected underpayments or overpayments to employees.

3.1	RECOMMENDATION	Policies and Procedure
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We recommend that Facilities Services Management establish clear and well-defined policies and procedures for calculating and verifying retroactive payments.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - FEBRUARY 29, 2024

SEE PAGE 21 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

3.2	RECOMMENDATION	Supervisor Approval
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We recommend that Facilities Services Management collaborate with Payroll Administration to establish a documentation retention system to ensure that supporting documentation of retro payments is maintained on file.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - FEBRUARY 29, 2024

SEE PAGE 21 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that Facilities Services Management work together with Payroll Administration to correct the overpayment made to the employee.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - JANUARY 31, 2024

SEE PAGE 21 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

Auditor's note: Related findings and recommendations will be addressed to Mayors Financial Administration (MFA) and Payroll Administration congruent with their oversight role and related responsibilities. These recommendations will be detailed in a dedicated Audit Report specifically addressed to MFA.

FINDING 4 AND RECOMMENDATIONS

No Internal Policy for Exempt Employee’s Compensatory Time

Risk Rating: **Moderate Risk Finding**

Facilities Services does not have a written policy for compensatory time for exempt employees, despite the requirement set by Salt Lake County Human Resources Policy 5-300: Payroll. This lack of policy creates confusion and inconsistency in how compensatory time is accrued and processed. As a result, exempt employees face uncertainty about their compensatory time entitlements.

Employees are classified under the Fair Labor Standards Act (FLSA) as either exempt or non-exempt. Exempt employees typically do not receive overtime pay for hours worked beyond the standard 40-hour workweek.

In Salt Lake County, each agency is tasked with determining and documenting through written policy whether exempt employees accrue compensatory time for overtime hours worked. However, Facilities Services management reported the absence of an internal policy regarding compensatory time for exempt employees.

According to Salt Lake County Human Resources Policy 5-300: Payroll, section 3, “Each Department Director or Elected Official shall adopt written internal policies regarding compensatory time off for FLSA exempt employees.”

Facilities Services Management stated their practice is that exempt employees do not receive paid overtime. Instead, they accrue compensatory time at a one-to-one rate for hours worked beyond 40 in a week.

Without a formal written policy in Facilities Services, there’s a lack of clarity for exempt employees about their entitlement to compensatory time. This ambiguity can lead to inconsistencies in payroll processing and conflicting information being given to employees.

4.1	RECOMMENDATION	Establish Procedure
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We recommend that Facilities Services Management establish and implement written internal policies and procedures addressing compensatory time for exempt employees.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - MARCH 31, 2024

SEE PAGE 21 FOR THE AGENCY’S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 5 AND RECOMMENDATIONS

Overtime Compensation Agreement Form not Congruent with Time Earned

Risk Rating: **Moderate Risk Finding**

A discrepancy was found in compensatory time versus overtime payments, affecting employees' pay and budgeting. One case highlighted an employee erroneously receiving compensatory time instead of the chosen overtime pay, which could lead to financial liabilities for the County and non-compliance with legal standards.

During the audit period, 53 Facilities Services employees, comprising both exempt and non-exempt staff, logged a total of 396 timecard entries for earned or used overtime and compensatory time. Non-exempt employees were compensated at 1.5 times their regular rate for hours exceeding 40 per week, unless they opted for compensatory time, as indicated on the Salt Lake County Human Resource Overtime Compensation Agreement.

We analyzed 25 employees' preferences on the Overtime Compensation Agreement compared to their actual time earned. We discovered a discrepancy for one employee (4%), where the time earned differed from their stated preference on the form.

Human Resources Policy 5-300: Payroll, Section F, regarding Overtime and Compensatory Time for FLSA Non-Exempt Merit Employees, specifies that "Any non-exempt employee working over 40 hours per week will be paid at one and a half times their regular rate unless they request compensatory time off in writing before working the overtime hours."

The Salt Lake County Human Resource Overtime Compensation Agreement form allows non-exempt employees, under FLSA, to choose between overtime pay and compensatory time off.

Facilities Services Management admitted an error where an employee erroneously received four hours of compensatory time instead of the chosen overtime pay.

Receiving compensatory time instead of overtime may lead to employees budgeting more in pay than they actually receive in pay. In some cases, employees may find it difficult to use the accrued comp time due to work demands. This could result in unused comp time accumulating and becoming a liability for the County. Additionally, the County may not comply with legal requirements, potentially exposing the County to legal liabilities, fines, or penalties.

We recommend that Facilities Services Management establish and implement controls to ensure that overtime and compensatory time earned during each pay period are consistent with each employee's election.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - MARCH 31, 2024

SEE PAGE 21 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 6 AND RECOMMENDATIONS

Inaccurate Entries of W-4 Data

Risk Rating: **Moderate Risk Finding**

The Internal Revenue Service's Form W-4, Employee's Withholding Certificate, provides instructions to Salt Lake County regarding the federal taxes to be withheld from employee pay. We compared Form W-4 documentation to Peoplesoft entries for eight employees hired or rehired during the audit period. We found that data had been incorrectly entered into Peoplesoft for one out of the eight employees (12%). The error was related to Step 2 of the form, specifically the section titled "Multiple Jobs or Spouse Works." Even though the employee had checked this box, the information was not accurately transferred to PeopleSoft. This box allows the employee to indicate that they have multiple jobs, or their spouse works, which can impact the calculation of their federal income tax withholding.

The audit found one employee's W-4 was not entered correctly which can impact their tax withholding.

IRS Publication 15 (2023), Circular E, Employer's Tax Guide and Topic No 753 Employee's Withholding Certificate states, "Form W-4 tells you, as the employer, the employee's filing status, multiple jobs adjustments, amount of credits, amount of other income, amount of deductions, and any additional amount to withhold from each paycheck to use to compute the amount of federal income tax to deduct and withhold from the employee's pay." "You should inform your employees of the importance of submitting an accurate Form W-4. An employee may be subject to a \$500 penalty if he or she submits, with no reasonable basis, a Form W-4 that results in less tax being withheld than is required."

Vice President of Government Affairs at Always Designing for People (ADP), in a webinar "Revisions to IRS Form W-4: What's the Impact to Employers?" responded to questions regarding some critical insights into 2019 IRS guidance on a new Form W-4. Regarding the liability for the employer of an input error, he stated that, "Employers must accurately apply input from Forms W-4 and calculate withholding in accordance with the new formulas and instructions. Employers may be held liable for amounts that should have been withheld but were not."¹

The Fiscal and Administrative Manager acknowledged and corrected the entry the same day that we informed her of the error. Mayor's Finance Administration indicated that agencies were responsible for W-4s. When the box marked "Multiple Jobs or Spouse Works" is not entered into PeopleSoft correctly, not enough taxes may be withheld from the employee's paycheck, resulting in underpayment of taxes throughout the year.

1 <https://www.adp.com/spark/articles/2019/10/revisions-to-irs-form-w4-whats-the-impact-to-employers.aspx>

6.1

RECOMMENDATION

W-4 Processing

We recommend that Facilities Services Management establish and document procedures for obtaining, storing, and entering W-4 forms. These procedures should include a secondary review and approval to ensure the accuracy of the data entered.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - JANUARY 31, 2024

SEE PAGE 21 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

6.2

RECOMMENDATION

Consistent Payment

We recommend that Facilities Services Management maintain hard or electronic copies of each employee's W-4 documentation for a minimum of 4 years.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - JANUARY 31, 2024

SEE PAGE 21 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

Auditor's note: Related findings and recommendations will be addressed to Mayors Financial Administration (MFA) and Payroll Administration congruent with their oversight role and related responsibilities. These recommendations will be detailed in a dedicated Audit Report specifically addressed to MFA.

FINDING 7 AND RECOMMENDATIONS

Termination Requests Submitted After Employees' Last Working Date

Risk Rating: **Moderate Risk Finding**

When an employee departs from Salt Lake County, certain offboarding procedures are necessary at the agency level. These include terminating the employee's access to the County network, PeopleSoft, and any external timekeeping software. Agencies submit a "Termination" employee Personnel Action Request (ePAR) in PeopleSoft, and network termination is requested through an Information Technology Division service request.

During the audit period, eight employees separated from Facilities Services at Salt Lake County. Our findings were as follows:

- For 50% of these employees (four out of eight), PeopleSoft access termination requests were submitted, on average, four days post their final working day.
- For 25% (two out of eight), there were no submissions for network access removal; this was instead handled through routine audits by the Information Technology Division.
- For 37.5% (three out of eight), network access termination requests were made, on average, 14 days after their last working day.

This lapse in timely deactivation of access poses risks of data breaches, fraudulent time entries, and payroll inaccuracies.

The Human Resources "Offboarding Checklist" for supervisors specifies that while supervisors might not directly handle every task, they are accountable for ensuring task completion. This checklist includes deactivating all agency-specific and network access for departing employees.

A June 30, 2017, article by The Society for Human Resource Management (SHRM), "How Proper Offboarding Can Help Prevent Data Breaches," highlighted the necessity of policies for physical and virtual data protection. The article referenced the 2017 Cost of a Data Breach Study by IBM Security and the Ponemon Institute, which found that 47% of data breaches were caused by malicious insiders or criminals, with an average cost of \$156 per record to resolve such attacks.

The SHRM article recommended timely deactivation of computer and network access for departing employees as a critical step to prevent potential data breaches and protect sensitive information.

Salt Lake County Human Resources Division Countywide Policies currently lack specific guidelines on access termination requests and their timing. Facilities Services Management stated their practice is to not initiate termination actions until the termination date or later, to avoid

premature actions. They noted ongoing efforts to improve onboarding and offboarding procedures, aiming to make requests closer to the employee's last working day.

Retained access to timekeeping systems by former employees poses risks, such as potential timesheet manipulation or fraudulent time entries, leading to payroll inaccuracies. Additionally, continued network access can lead to malicious activities like data theft, operational disruptions, or system infections, potentially involving persons other than the former employee.

7.1	RECOMMENDATION	Policies and Procedure
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We recommend that Facilities Services Management establish and implement Policies and Procedures for employee offboarding, outlining the precise timing of access termination to sensitive data systems, including timekeeping and network access.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - JANUARY 31, 2024

SEE PAGE 21 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

7.2	RECOMMENDATION	Timely Removals
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We recommend that Facilities Services management ensure the timely removal of employees from time keeping applications upon termination of employment.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - JANUARY 31, 2024

SEE PAGE 21 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

7.3	RECOMMENDATION	Network Access
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We recommend that Facilities Services management work with Information Technology to ensure the timely removal of employees from network access upon termination of employment.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - JANUARY 31, 2024

SEE PAGE 21 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

Auditor's note: Related findings and recommendations will be addressed to Mayors Financial Administration (MFA) and Payroll Administration congruent with their oversight role and related responsibilities. These recommendations will be detailed in a dedicated Audit Report specifically addressed to MFA.

Agency Response



Date: January 10, 2024
Auditor Chris Harding, CPA
Office of the Auditor
Salt Lake County
2001 S State Street
Salt Lake City, UT 84121

Auditor Harding,

Thank you for the time you and your team took to audit our payroll process. Your comprehensive examination has provided insights into our payroll practices. The detailed report and recommendations will undoubtedly contribute to our ongoing effort. Your dedication to protecting the County from fraud, waste and abuse has been instrumental in ensuring the integrity of our financial records. We have reviewed your findings and recommendations and have already corrected some and commit to addressing the rest within 90 days.

Please find our response below to each of the recommendations made in your report.

AUDIT FINDING 1: No Reconciliation of Data Transferred to the Payroll System

JENNIFER WILSON
Salt Lake County Mayor

Megan Hillyard
Administrative Services
Department Director

Tyson Kyhl
Facilities Management
Division Director
tkyhl@slco.org

Salt Lake County
Government Center
2001 South State Street
Suite S3-120
Salt Lake City, UT 84114-4575
385.468.0361

RECOMMENDATION 1.1		
We recommend that Facilities Services Management work with Payroll Administration to make the necessary corrections to the employees' time for the variances identified.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree (Already implemented)	March 2023	Jerusha Harding, Admin & Fiscal Manager

Narrative for Recommendation 1.1 including action plan.

Facilities Services Management has worked with Mayor's Finance Payroll Admin to ensure the three identified errors were corrected.

RECOMMENDATION 1.2		
We recommend that Facilities Services Management implement a documented reconciliation procedure to ensure the accuracy of time transferred from the external system to PeopleSoft to ensure accuracy and completeness. Procedures should include an independent review and approval of the reconciliation performed.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree (Already implemented)	November 2023	Jerusha Harding, Admin & Fiscal Manager

Narrative for Recommendation 1.2 including action plan.

In November 2023 Facilities Services Management went live with the new PeopleSoft Absence Management and as a result all employees are entering their own time in PeopleSoft and supervisors are approving their team’s time in PeopleSoft. We no longer transfer the data from one system to the other so there is no reconciliation needed.

RECOMMENDATION 1.3		
We recommend that Facilities Services Management collaborate with Information Services and Payroll Administration to explore automatic upload of external timekeeping data into PeopleSoft to increase efficiency and reduce the risk of errors and omissions.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree (Already implemented)	November 2023	Jerusha Harding, Admin & Fiscal Manager

Narrative for Recommendation 1.3 including action plan.

In November 2023 Facilities Services Management went live with the new PeopleSoft Absence Management and as a result all employees are entering their own time in PeopleSoft and supervisors are approving their team’s time in PeopleSoft; therefore, time uploading is no longer needed.

AUDIT FINDING 2: Timecards Not Approved by a Supervisor

RECOMMENDATION 2.1
We recommend that Facilities Services Management establish and implement written policies and procedures that include:
<ul style="list-style-type: none"> • Clearly defined guidelines outlining the review and approval process for employee time by their direct supervisors or managers. • Procedures addressing situations in which the direct supervisor is unavailable to approve time, specifying necessary documentation required to ensure proper oversight and accountability.

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree (partially implemented)	Jan 31, 2024 (Nov. 2023)	Jerusha Harding, Admin & Fiscal Manager

Narrative for Recommendation 2.1 including action plan.

In November 2023 Facilities Services Management went live with the new PeopleSoft Absence Management and as a result all employees are entering their own time in PeopleSoft and supervisors are approving their team’s time in PeopleSoft. In addition, we will update our Facilities Management Internal Procedures Manual to include the procedure for time approval by supervisors as well as the process for approval when a supervisor is not available.

RECOMMENDATION 2.2		
We recommend documentation be retained on file whenever a delegated supervisor approves an employee’s timecard in the absence of the direct supervisor. This can be achieved by utilizing PeopleSoft’s delegation and comments feature, using the comments section available upon timecard approval, or other documentation.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree (Already implemented)	Jan 31, 2024 (Nov. 2023)	Jerusha Harding, Admin & Fiscal Manager

Narrative for Recommendation 2.2 including action plan.

In November 2023 Facilities Services Management went live with the new PeopleSoft Absence Management and as a result all employees are entering their own time in PeopleSoft and supervisors are approving their team’s time in PeopleSoft. In addition, we will update our Facilities Management Internal Procedures Manual to include the procedure for time approval when a supervisor is not available. We will use the PeopleSoft delegation feature.

AUDIT FINDING 3: Retroactive Payment Miscalculation

RECOMMENDATION 3.1		
We recommend that Facilities Services Management establish clear and well-defined policies and procedures for calculating and verifying retroactive payments.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	Feb 29, 2024	Jerusha Harding, Admin & Fiscal Manager

Narrative for Recommendation 3.1 including action plan.

Facilities Services Management will create a documented procedure for calculating retroactive payments, that includes a two-party verification.

*Appears to be a system wide issue. We will work with MFA for best practices.

RECOMMENDATION 3.2		
We recommend that Facilities Services Management collaborate with Payroll Administration to establish a documentation retention system to ensure that supporting documentation of retro payments is maintained on file.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	Feb 29, 2024	Jerusha Harding, Admin & Fiscal Manager

Narrative for Recommendation 3.2 including action plan.

Facilities Services Management will establish a document retention process and ensure all supporting documentation is maintained on file. We will collaborate with Mayor’s Finance Payroll Administration for any systems or retention processes they put into place.

*Appears to be a system wide issue. We will work with MFA for best practices.

RECOMMENDATION 3.3		
We recommend that Facilities Services Management work together with Payroll Administration to correct the overpayment made to the employee.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	Jan 31, 2024	Jerusha Harding, Admin & Fiscal Manager

Narrative for Recommendation 3.3 including action plan.

Facilities Services Management will work with Mayor’s Finance Payroll Admin to ensure the identified error is corrected. Facilities Services Management will also notify the employee of the correction.

AUDIT FINDING 4: No Internal Policy for Exempt Employee’s Compensatory Time

RECOMMENDATION 4.1

We recommend that Facilities Services Management establish and implement written internal policies and procedures addressing compensatory time for exempt employees.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	March 31, 2024	Tyson Kyhl, Division Director

Narrative for Recommendation 4.1 including action plan.

Facilities Services Management will work with the Administrative Services Department Director to create an internal policy for exempt employee’s comp time. This policy will then be added to the Facilities Management Internal Policies and Procedures manual.

AUDIT FINDING 5: Overtime Compensation Agreement Form not Congruent with Time Earned

RECOMMENDATION 5.1		
We recommend that Facilities Services Management establish and implement controls to ensure that overtime and compensatory time earned during each pay period are consistent with each employee’s election.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	Mar 31, 2024	Jerusha Harding, Admin & Fiscal Manager

Narrative for Recommendation 5.1 including action plan.

Facilities Services Management will establish and implement controls to ensure overtime and comp time earned matches the employee’s election on the Overtime Compensation Agreement. We will add these to our Facilities Management Internal Policies and Procedures Manual and provide training for our supervisors and managers.

AUDIT FINDING 6: Inaccurate Entries of W-4 Data

RECOMMENDATION 6.1		
We recommend that Facilities Services Management establish and document procedures for obtaining, storing, and entering W-4 forms. These procedures should include a secondary review and approval to ensure the accuracy of the data entered.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agreed	Jan 31, 2024	Terry Colon, Data Analyst

Narrative for Recommendation 6.1 including action plan.

Facilities Services Management will update our internal procedures so that all employees will enter their own W-4 information directly into PeopleSoft where the needed documentation will be retained. This will include all new hires as well as existing employees wishing to make a change.

*Appears to be a system wide issue. We will work with MFA for best practices.

RECOMMENDATION 6.2		
We recommend that Facilities Services Management maintain hard or electronic copies of each employee’s W-4 documentation for a minimum of 4 years.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	Jan 31, 2024	Terry Colon, Data Analyst

Narrative for Recommendation 6.2 including action plan.

Facilities Services Management will update our internal procedures so that all employees will enter their own W-4 information directly into PeopleSoft where the needed documentation will be retained. This will include all new hires as well as existing employees wishing to make a change.

*Appears to be a system wide issue. We will work with MFA for best practices.

AUDIT FINDING 7: Termination Requests Submitted After Employees’ Last Working Date

RECOMMENDATION 7.1		
We recommend that Facilities Services Management establish and implement Policies and Procedures for employee offboarding, outlining the precise timing of access termination to sensitive data systems, including timekeeping and network access.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	Jan 31, 2024	Terry Colon, Data Analyst

Narrative for Recommendation 7.1 including action plan.

Facilities Services Management will update our internal policies and procedures for offboarding to include precise timing of all access termination.

*Appears to be a system wide issue. We will work with MFA for best practices.

RECOMMENDATION 7.2		
We recommend that Facilities Services management ensure the timely removal of employees from time keeping applications upon termination of employment.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	Jan 31, 2024	Terry Colon, Data Analyst

Narrative for Recommendation 7.2 including action plan.

Facilities Services Management will update our internal policies and procedures for offboarding to include precise timing of all access termination.

*Appears to be a system wide issue. We will work with MFA for best practices.

RECOMMENDATION 7.3		
We recommend that Facilities Services management work with Information Technology to ensure the timely removal of employees from network access upon termination of employment.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	Jan 31, 2024	Terry Colon, Data Analyst

Narrative for Recommendation 7.3 including action plan.

Facilities Services Management will update our internal policies and procedures for offboarding to include precise timing of all access termination.

*Appears to be a system wide issue. We will work with MFA for best practices.

Sincerely-

Tyson G. Kyhl Digitally signed by Tyson G. Kyhl
DN: cn=Tyson G. Kyhl, o=Salt Lake County, ou=Facilities Management, email=tyson.kyhl@slc.gov

Tyson Kyhl
Director
Facilities Management