

AUDIT REPORT

An Audit of Salt Lake County Flood Control and Engineering Services Payroll

OCTOBER 2024



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AUDITOR'S LETTER

October 2024

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I am pleased to present our audit of the Salt Lake County Flood Control and Engineering Services payroll operations for the period from September 1, 2021, to August 31, 2022. The objectives of this audit were to provide reasonable assurance regarding the adequacy and effectiveness of internal controls and to ensure that payroll processes comply with all applicable fiscal ordinances, policies, and procedures.

Our audit identified deficiencies in Flood Control and Engineering Services payroll operations. One area of significant risk included timecards that were not approved by a supervisor and inadequate segregation of duties in the approval process. Additionally, we observed that badges used to clock in and out for work were not secured. Furthermore, documentation supporting retroactive and final payout calculations was not on file.

These findings underscore the need for more stringent control measures, written procedures, and enhanced training to ensure compliance, mitigate risks, and improve overall operational effectiveness. We strongly recommend that Flood Control and Engineering Services management promptly review and implement the detailed recommendations in the attached audit report. Addressing these issues is crucial to safeguarding the operational and financial integrity of the County.

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 personnel 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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FLOOD CONTROL AND ENGINEERING SERVICES PAYROLL AUDIT

OCTOBER 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

Timecards Not Approved by a Supervisor and a Lack of Segregation of Duties in Approvals

We reviewed time entries for 18 employees that used PeopleSoft to enter their time. For 13 out of the 18 (72%) employees, 811 of 4,980 (16%) time entries were approved by an individual who was not their supervisor according to PeopleSoft, and the individual's job title did not identify them as a supervisor or manager.

We also reviewed 13 employees that used Time Clock Plus (TCP). For two of the 13 (8%) employees, 47 of the 3,515 (1.3%) time entries did not have independent approval. In each case the employee approved their own time.

Badges Used to Clock In and Out Not Secured

Fourteen Flood Control and Engineering Services employees used a physical TimeClock Plus (TCP) time clock to clock in and out of work. A time clock was installed at the entrance to the Flood Control Crew Room. We observed a sample of five employees using the time clock and found that all employee time clock badges were stored next to the time clock, in a cardholder on the wall, making them accessible to all employees. The practice of leaving employee badges unsecured increases the risk of fraud, waste, or abuse, as employees could potentially clock in or out on behalf of others.

Agency Did Not Understand Retro Pay and Final Payout Responsibilities

During the audit period, Flood Control and Engineering Services processed 18 retro payments and one final payout for a terminated employee. We found that, while documentation was on file explaining the reason for the payments, there was no documentation containing supporting calculations.

When system calculations are not reperformed and verified, and where procedures are not documented, key controls may not be in place and may degrade over time. Errors and omissions are more likely to occur and not be detected. Employees may be under or overpaid without detection.



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 Flood Control and Engineering 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 twelve County Agencies.

For the audit period, Flood Control and Engineering Services payroll encompassed a workforce of 59 employees, with cumulative earnings of \$3.3 million.

The Flood Control and Engineering Services Division Human Resources and Payroll Coordinators are entrusted with the responsibilities of employee hiring, rehiring, promotions, 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

Salt Lake County 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

Salt Lake County 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

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:

- Timecards Not Approved by a Supervisor and Lack of Segregation of Duties
- Badges used to clock in and out not secured
- Agency Did Not Understand Retro Pay and Final Payout Responsibilities
- No Internal Policy for On-Call Requirements
- W-4 Forms Not Obtained and On File
- Overtime Compensation Forms missing or incongruent with time earned and Overtime Compensation time approvals lacking authorization

As a result, time keeping and payroll processing are at an increased risk of undetected errors and omissions, potential fraud, waste, and abuse. To mitigate these risks and improve operational effectiveness, it is crucial for Flood Control and Engineering 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 (HR) and Mayors Finance Administration (MFA) Payroll Administration to expand and reinforce Countywide policies and procedures related to Payroll.

FINDING 1 AND RECOMMENDATIONS

Timecards Not Approved by a Supervisor and a Lack of Segregation of Duties in Approvals

Risk Rating: **Critical Risk Finding**

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

Twenty-eight Flood Control and Engineering Services employees entered time worked in Salt Lake County's payroll system, PeopleSoft. The remaining 14 employees used the timekeeping software TimeClock Plus (TCP). Time entries in TCP were approved by a supervisor and then uploaded to PeopleSoft for processing and final approval.

For 72% of employees tested on PeopleSoft, 16% of time entries were approved by someone other than their supervisor. This raises concerns about the accuracy and authorization of timekeeping records.

Flood Control and Engineering Services employees also tracked time worked through project tracking software called Vue Works. Supervisors reviewed and signed off on Vue Works reports. In addition, Vue Works entries were reviewed and reconciled to TCP and PeopleSoft by the Flood Control and Engineering Services fiscal team. These reviews and reconciliations provided additional, mitigating controls. However, Vue Works did not include non-project hours, such as vacation or sick leave and was not used for payroll purposes. Therefore, our testing focused on Payroll applications, TCP and PeopleSoft.

We tested 31 out of the agency's 59 employees. We verified whether timecards were reviewed and approved by the employee's supervisor. We found:

PeopleSoft (18 employees - 4,980 timecard entries):

- For 13 out of 18 (72%) employees tested, 811 of 4,980 (16%) time entries were approved by an individual who was not their supervisor according to PeopleSoft, and the individual's job title did not identify them as a supervisor or manager. We noted that:
 - **Payroll Coordinator (Office Manager):** 446 of the 811 (55%) time entries were approved by the Payroll Coordinator. The Division Director verbally authorized the Payroll Coordinator to approve time entries when the manager was unavailable. However, there was no documentation of this authorization, the reasons for the Payroll Coordinator's approvals, or any follow-up communication with the employee's supervisor to verify the accuracy of the approved time entries.

- **Office Assistant:** 335 of the 811 (41%) time entries for the Division Director were approved by the Office Assistant. The Office Assistant for the Public Works Department Director completed the approvals. The Public Works Department Director delegated timecard approvals to the Office Assistant. However, there was no documentation of the reason for the delegation or subsequent confirmation of the accuracy of the entries.
- **Other Approvers:** 30 of the 811 (4%) time entries were approved by the Exempt Secretary, who worked as the Assistant to the Deputy Mayor over the Public Works Department portfolio or the Flood Control and Engineering Permit Specialist. There was no documentation of the reason for the delegation or subsequent confirmation of the accuracy of the entries.

Two employees (8%) self-approved nearly 50 time entries (1.3%), bypassing the required independent review process. This lack of oversight raises concerns about the potential for unauthorized time recording and inaccurate payroll payments.

TCP Timekeeping Approvals (13 employees - 3,904 timecard entries):

- Testing did not apply to 389 out of the 3,904 timecard entries for the TCP employees sampled because the time reporting codes are only entered and approved in PeopleSoft. Therefore, we tested the remaining 3,515 time entries. We found that:
 - **Self-Approvals:** Two of the 13 (8%) employees self-approved 47 of the 3,515 (1.3%) time entries. The time entries were not independently approved.

Government Accountability Office (GAO) December 2000 Publication, “*Maintaining Effective Control Over Employee Time and Attendance Reporting*,” states, “Primary responsibility for authorizing and approving [Time and Attendance] 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.”

Management explained that the Public Works Department Director had instructed the Office Assistant to approve the time for the Division Directors in the Public Works Department. However, the approval authorizations were not documented and there was no communication on file between the Payroll Coordinator, or Office Assistant, and the employee’s supervisor confirming the accuracy of the time.

Management explained that supervisors were often unavailable to approve time entries due to being in the field working or on leave. In such cases, the Payroll Coordinator was authorized to approve time entries to ensure timely payroll processing. In addition, supervisors would sometimes request changes or corrections to time entries, which the Payroll Coordinator would then enter and approve. Occasionally, technical issues with TCP prevented supervisors from approving time.

For 11 of the 47 time entries where employees self-approved their own time in TCP, the Payroll Coordinator recalled that the employee was missing time, and she reached out to the employee's supervisor. The supervisor instructed the employee to enter and approve the time entries, since he would not be able to approve them in time for payroll processing.

For the remaining 36 out of 47 time entries, the Fiscal Manager provided eight Vue Works Weekly Time by Project and Activity and Rate reports, which were reviewed and signed off on. While these reports may have helped mitigate some risk of errors, they were not a sufficient substitute for TCP and PS timecard approvals. We noted that:

Vue Works Reports

- Three of the eight (38%) reports were reviewed and signed off by the same employee noted above, therefore they did not provide any additional, independent assurance.
- The remaining five out of eight (62%) reports did provide independent review and assurance for 14 of the 47 (30%) time entries noted above, where the employee approved their own time in TCP. However, as mentioned previously, Vue Works does not include leave taken.

There were no policies and procedures outlining the steps and required documentation for when a direct supervisor or authorized designee is unavailable to approve time.

When supervisors do not approve employee time, employee accountability may be diminished. When the Payroll Coordinator approves the time in both systems, there is a lack of segregation of duties. As a result, the risk of noncompliance with policies, laws, and regulations increases, along with a greater potential for payroll inaccuracies. Individuals other than the employee's supervisor may not be aware of the time the employee worked or the employee's expected working hours, which can lead to fraud, waste, and abuse.

1.1

RECOMMENDATION

Written Procedures

We recommend that Flood Control and Engineering Services Management establish and document procedures regarding the review and approval of employee time by direct supervisors or managers.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 2/15/25

SEE PAGE 25 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

1.2

RECOMMENDATION

Delegation

We recommend that Flood Control and Engineering Services Management establish and document policies and procedures that address situations when the direct supervisor is unavailable to approve time. These procedures should include documentation requirements to ensure proper oversight and accountability.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 2/15/25

SEE PAGE 26 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 2 AND RECOMMENDATIONS

Badges Used to Clock In and Out Not Secured

Risk Rating: **Moderate Risk Finding**

Time clock badges were stored unsecured, allowing unauthorized employees to clock in or out on behalf of others. This lack of control increases the risk of time card fraud and inaccurate payroll payments.

Fourteen Flood Control and Engineering Services employees used a physical TimeClock Plus (TCP) time clock to clock in and out of work. These employees had two options for entering their time: swiping a physical badge or inputting their Employee Identification Number (EIN).

A physical time clock was installed at the entrance to the Public Works Midvale, Sandbag Garage location. We observed a sample of five employees using the time clock on two separate days, once to clock in and once to clock out. All five employees swiped a physical badge to record their time.

We found that all employee time clock badges were stored next to the time clock, in a cardholder on the wall, making them accessible to all employees. We also noted the time clock lacked additional authentication requirements such as a passcode or biometric scan when the badges were used. Some County agencies that use TCP time clocks have incorporated such additional security measures.

Government Accountability Office (GAO) December 2000 Publication, "Maintaining Effective Control Over Employee Time and Attendance Reporting," states, "Agency policy must assign accountability for recording and maintaining [Time and Attendance] T&A data referred to in the previous section. If the employee is not recording his or her T&A data, the basis for recording the data could be (1) the timekeeper's or supervisor's observation, (2) time clocks, or other automated timekeeping devices, where not prohibited by law, or (3) other applicable techniques. The person recording the T&A data acknowledges responsibility for the accuracy of the recorded data. The point at which T&A data are recorded can vary among different T&A systems. For example, T&A data may be recorded (1) daily, (2) when deviations occur from an individual's or agency's established work schedule, or (3) at the end of the pay period. Regardless of the timing of recording T&A data, management must have in place a system of control techniques that gives reasonable assurance that the recorded information reflects time worked, leave taken, or other absences."

Badges were stored by the time clock for easy access and storage, without consideration of the potential risks. The practice of leaving employee badges unsecured increases the risk of fraud, waste, or abuse, as employees could potentially clock in or out on behalf of others.

2.1	RECOMMENDATION	Established Guidelines
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We recommend that Flood Control and Engineering Services Management establish and implement clear guidelines requiring employees to always keep their badges in a secure location or on their person to prevent unauthorized access by other employees.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 1/1/25

SEE PAGE 26 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

2.2	RECOMMENDATION	Two-Factor Authentication
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We recommend that Flood Control and Engineering Services consider implementing a two-factor authentication system by exploring a system that combines a badge swipe with a PIN or biometric scan (fingerprint, facial recognition).

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 1/1/25

SEE PAGE 27 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 3 AND RECOMMENDATIONS

Agency Did Not Understand Retro Pay and Final Payout Responsibilities

Risk Rating: **Moderate Risk Finding**

For both retroactive and final payments, supporting documentation was often missing. This lack of evidence increases the risk of errors, fraud, and non-compliance with payroll regulations.

We reviewed controls over retroactive payroll payments (retro payments), which are defined as compensation added to an employee's paycheck to make up for a shortfall in a previous pay period. Examples of retro payments include back pay for a raise effective in a prior pay period, or employees due a shift-differential, or acting in rate, also not paid in a prior pay period.

During the audit period, Flood Control and Engineering Services processed 18 retro payments for employees. We filtered the population to identify payments above the Countywide retro payment average of \$280 for agencies in scope, and any adjusting, negative transactions. Seven payments met the criteria for further review.

Retroactive Payments

- While documentation was on file explaining the reasoning for all seven payments, there was no documentation supporting the calculations performed for the payments.

We also reviewed controls over final payouts for terminated employees. When merit and time limited appointed employees terminate employment, they have the option to either use up their accrued vacation or be paid out for it. During the audit period, six Flood Control and Engineering Services employees terminated their employment with the County. We found that:

Final Pay Out

- Only one of the six (17%) employees received a leave pay out. While there was written communication on file directing the Mayor's Financial Admin Payroll Administrator that the employee wanted the vacation paid out via direct deposit, the Office Manager did not document the calculations supporting the payout.
- The remaining five employees did not receive leave payouts at termination and were not entitled to one.

Government Accountability Office (GAO) September 2014 Publication, "Standards for Internal Control in the Federal Government," Section 10.02, states, "Management designs control activities in response to the entity's objectives and risks to achieve an effective internal control system. 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... Management designs control activities to fulfill defined responsibilities and address identified risk responses."

Salt Lake County Human Resources Policy 5-300: Payroll, Part II Procedures, Section A.4, states, "Each payroll unit is responsible for accurately recording their information in the payroll system."

While County Policy assigns the responsibility for accurate payroll submission at the agency level, including retro payments and final payouts, there are no written procedures regarding these transactions. This gap arises from the absence of formal Countywide Payroll Procedures and internal agency written procedures along with lack of training for Payroll Coordinators. As a result, there is a lack of clear understanding and consistency in handling the payments.

The Fiscal Manager at Flood Control and Engineering Services relied on the payroll system to accurately calculate retroactive payments and final payouts based on PeopleSoft data. From their understanding, whenever an employee's pay rate changed through an electronic payroll action request (ePAR) in PeopleSoft, the system would automatically calculate the retroactive pay. Similarly, they believed the system would accurately calculate final payouts based on accrued hours in PeopleSoft. As a result, Flood Control and Engineering Services did not inform MFA payroll administrators about rate adjustments or final payouts, assuming the system's data was reliable. However, the Countywide audit revealed instances where the system incorrectly calculated retroactive payments.

When system calculations are not reperformed and verified, and where procedures are not documented, key controls may not be in place and may degrade over time. Errors and omissions are more likely to occur and not be detected. Employees may be under or overpaid without detection.

We recommend that Flood Control and Engineering Services Management establish clear written policies and procedures for calculating and verifying retroactive payments and leave payouts.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 2/15/25

SEE PAGE 27 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that Flood Control and Engineering Services Management work with Payroll Administration to establish a documentation retention system to ensure that documentation supporting payroll payments is maintained on file.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 2/15/25

SEE PAGE 28 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 On-Call Requirements

Risk Rating: **Moderate Risk Finding**

Twelve employees were identified with on-call earning codes, but no Standard Operating Procedure (SOP) existed for on-call duties. This lack of guidance can lead to confusion, inconsistencies, and potential violations of county policies.

Agencies use internal policies and standard operating procedures as essential tools to maintain consistency, manage risk, guide and hold employees accountable, and to comply with Salt Lake County policies. Salt Lake County Human Resources Policy 5-300 mandates that departments establish internal policies and standard operating procedures (SOP) for employees who are required to be on-call.

We identified 12 Flood Control and Engineering Services employees with on-call earning codes during the audit period. However, no Standard Operating Procedure for on-call duties was in place.

Salt Lake County Human Resources Policy 5-300: Payroll, Part II Procedures, Section 1.2., states, “An office or division may not require an employee to be on-call unless it has a standard operating procedure that requires an on-call employee to respond in a specified period of time. Employees will perform work telephonically or electronically when possible.”

Without a documented internal SOP, employees may face confusion regarding on-call responsibilities, compensation, and expectations. Furthermore, inconsistencies in management practices can arise due to the lack of standardized guidelines. In addition, knowledge may not be transferred in the event of employee turnover. Finally, the absence of a documented internal SOP can hinder knowledge transfer during employee turnover.

4.1	RECOMMENDATION	Standard Operating Procedure
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We recommend that Flood Control and Engineering Services Management document a standard operating procedure for on-call employees, ensuring compliance with Salt Lake County Human Resources Policy 5-300.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 2/15/25

SEE PAGE 28 FOR THE AGENCY’S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 5 AND RECOMMENDATIONS

W-4 Forms Not Obtained and On File

Risk Rating: **Moderate Risk Finding**

The Internal Revenue Service’s Form W-4, Employee’s Withholding Certificate, provides guidance to Salt Lake County on the proper withholding of Federal taxes from employee pay. We requested proof of W-4 documentation for eight out of the ten employees hired during the audit period. We found that Flood Control and Engineering Services did not have a W-4 form on file for three out of the eight (38%) employees tested.

Thirty-eight percent of employees lacked the required W-4 forms, potentially resulting in incorrect federal income tax withholdings. This oversight indicates a lack of awareness and procedures for ensuring compliance with tax laws.

Internal Revenue Service (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.”

Management was not aware of the agency’s obligation to collect Form W-4. In addition, there was no Countywide payroll policy establishing W-4 procedures, roles, and responsibilities.

Each employee without a Form W-4 had their withholding set to the default tax status of single, with no other jobs, dependent amounts, other income, deductions, or extra withholding. As a result, employees’ tax withholdings may have been under or over the amount required depending on whether the default setting was correct.

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

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 2/15/25

SEE PAGE 29 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

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

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 2/15/25

SEE PAGE 29 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 6 AND RECOMMENDATIONS

Overtime Compensation Forms Missing or Incongruent with Time Earned and Overtime Compensation Time Approvals Lacking Authorization

Risk Rating: **Moderate Risk Finding**

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.

At Salt Lake County, each agency is tasked with determining and documenting through written policy whether exempt employees accrue compensatory time for overtime hours worked over 40 hours per Salt Lake County Human Resources Policy 5-300: Payroll.

Non-exempt employees are entitled to compensation at one and one-half times their hourly rate for every hour over the 40-hour standard workweek. To accrue compensatory time at that rate, instead of extra compensation, non-exempt employees must complete the Salt Lake County Human Resource's Overtime Compensation Agreement form

We tested 16 out of 27 non-exempt employees and one exempt employee that worked more than 40 hours per week. We found that:

Non-Exempt Employees

- Eight out of the 16 (50%) non-exempt employees received compensatory time, which matched the employee's election on their completed Overtime Compensation Agreement form.
- Four of 16 (25%) non-exempt employees received overtime pay, not compensatory time, during the audit period. Since overtime was the default pay, a form was not required.
- One out of the 16 (6%) non-exempt employee Overtime Compensation Agreement forms indicated that the employee elected to be paid compensatory time. However, overtime was accrued during the audit period. This was explained by the fact that the employee had transferred to a temporary position for part the audit period and temporary employees were prohibited from receiving compensatory time.
- For the remaining three non-exempt employees, we noted the following exceptions:
 - Two non-exempt employees (13%) had time earned that did not align with their elected compensation options based on the provided forms.

One exempt employee did not have the required Overtime Compensation Agreement form on file, and the agency lacked a written policy for FLSA exempt employees. This indicates a lack of compliance with federal labor laws and potential inconsistencies in overtime management.

- One non-exempt employee (6%) did not have the required Overtime Compensation Agreement form on file.

Exempt Employee

- The one FLSA exempt employee did not require an Overtime Compensation Agreement form. However, we found that Flood Control and Engineering Services lacked a written policy for FLSA exempt employees, which is required.

We also found that five out of the 17 (29%) employees had six overtime or compensatory time entries that were not approved by their supervisor according to PeopleSoft, or an individual whose job title identified them as a supervisor or manager.

As described in Finding 1, Flood Control and Engineering Services employees also tracked time worked through project tracking software called Vue Works. Supervisors reviewed Vue Works reports along with PeopleSoft entries and physically signed the Vue Works reports. In addition, the Flood Control and Engineering Services fiscal team reviewed Vue Works entries and reconciled them to TCP and PeopleSoft. However, Vue Works did not include non-project hours, such as vacation or sick leave and was not used for payroll purposes.

Salt Lake County Human Resources Policy 5-300: Payroll, Part II Procedures, Section F.1, states, “Any non-exempt employee who works more than forty hours in a workweek will be paid one and one-half times their regular rate of pay for each hour worked more than 40 unless the employee requests compensatory time off. Employees may request in writing compensatory time off in lieu of cash payment prior to working the overtime hours.”

Salt Lake County Human Resources Policy 5-300: Payroll, Part II Procedures, Section G.3, states, “Each Department Director or Elected Official shall adopt written internal policies regarding compensatory time off for FLSA exempt employees.”

Flood Control and Engineering Services Management acknowledged the lack of forms on file for the two employees. Additionally, for the one employee whose time did not match the Overtime Compensation Agreement form management agreed that changes in the employee’s job data likely caused the system to revert to the default payment of overtime. One of these two employees discovered the error immediately and informed management, who immediately corrected the situation. The other remained unchanged.

For entries that lacked authorized supervisory approval, six were approved by the Payroll Coordinator and one was approved by the employee. Management explained that the Payroll Coordinator approved time entries if the manager was not available and payroll processing deadlines were approaching.

We reviewed the VUEWorks reports for the six time entries in question and found that they did not all include an approver's initial or signature, and that some of the initials provided were unreadable. Furthermore, since payouts and compensatory time were not included on the VUEWorks reports, we determined that these approvals were insufficient to substantiate the time earned.

Reporting time as overtime instead of compensatory time can lead to higher labor costs for the organization and potential budgetary overruns. Additionally, this incorrect reporting can expose the County to legal liabilities, fines, or penalties, potentially resulting in non-compliance with legal requirements. Without a written internal policy from Flood Control and Engineering Services, exempt employees may lack a clear understanding of when compensatory time may be due. Similarly, those responsible for processing payroll may lack consistency in granting compensatory time, leading to conflicting guidance for employees.

When supervisors do not approve employee time, employee accountability may be diminished. Individuals other than the employee's supervisor may not be aware of the time the employee worked or the authorized working hours, which can lead to fraud, waste, and abuse.

6.1

RECOMMENDATION

Procedure for Agreement Form

We recommend that Flood Control and Engineering Services Management establish a procedure to ensure the completion of an Overtime Compensation Agreement form for every employee during the hiring process and whenever there is a decision to make changes in the selection.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 2/15/25

SEE PAGE 30 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

6.2

RECOMMENDATION

Implement Controls

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

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 2/15/25

SEE PAGE 30 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

6.3

RECOMMENDATION

Time Approval

We recommend that Flood Control and Engineering Services Management establish clear procedures that address situations when the direct supervisor is unavailable to approve time. These procedures should include documentation requirements to ensure proper oversight and accountability.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 2/15/25

SEE PAGE 31 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that Flood Control and Engineering Services Management establish written internal policies and procedures that address compensatory time for FLSA exempt employees.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - IMPLEMENTED

SEE PAGE 31 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

Complete List of Audit Recommendations

This report made the following 13 recommendations.

RECOMMENDATION 1.1

We recommend that Flood Control and Engineering Services Management establish and document procedures regarding the review and approval of employee time by direct supervisors or managers.

RECOMMENDATION 1.2

We recommend that Flood Control and Engineering Services Management establish and document policies and procedures that address situations when the direct supervisor is unavailable to approve time. These procedures should include documentation requirements to ensure proper oversight and accountability.

RECOMMENDATION 2.1

We recommend that Flood Control and Engineering Services Management establish and implement clear guidelines requiring employees to always keep their badges in a secure location or on their person to prevent unauthorized access by other employees.

RECOMMENDATION 2.2

We recommend that Flood Control and Engineering Services consider implementing a two-factor authentication system by exploring a system that combines a badge swipe with a PIN or biometric scan (fingerprint, facial recognition).

RECOMMENDATION 3.1

We recommend that Flood Control and Engineering Services Management establish clear written policies and procedures for calculating and verifying retroactive payments and leave payouts.

RECOMMENDATION 3.2

We recommend that Flood Control and Engineering Services Management work with Payroll Administration to establish a documentation retention system to ensure that documentation supporting payroll payments is maintained on file.

RECOMMENDATION 4.1:

We recommend that Flood Control and Engineering Services Management document a standard operating procedure for on-call employees, ensuring compliance with Salt Lake County Human Resources Policy 5-300.

RECOMMENDATION 5.1:

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

RECOMMENDATION 5.2:

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

RECOMMENDATION 6.1

We recommend that Flood Control and Engineering Services Management establish a procedure to ensure the completion of an Overtime Compensation Agreement form for every employee during the hiring process and whenever there is a decision to make changes in the selection.

RECOMMENDATION 6.2

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

RECOMMENDATION 6.3

We recommend that Flood Control and Engineering Services Management establish clear procedures that address situations when the direct supervisor is unavailable to approve time. These procedures should include documentation requirements to ensure proper oversight and accountability.

RECOMMENDATION 6.4

We recommend that Flood Control and Engineering Services Management establish written internal policies and procedures that address compensatory time for FLSA exempt employees.

Agency Response



Jenny Wilson
Mayor

Catherine Kanter
Deputy Mayor of Regional Operations

Lisa Hartman
Associate Deputy Mayor of Regional Operations

Scott R. Baird, P.E.
Director, Public Works Department

Kade D. Moncur, P.E., CFM
Director, Flood Control Engineering Division

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October 24, 2024

Auditor Chris Harding, CPA
Office of the Auditor
Salt Lake County
2001 S State Street
Salt Lake City, UT 84121

Auditor Harding,

The Engineering and Flood Control Division appreciates the opportunity to respond to the payroll audit that the Auditor's Office performed for the period September 1, 2021, to August 31, 2022.

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

AUDIT FINDING 1: Timecards Not Approved by a Supervisor and Lack of Segregation of Duties in Approvals

RECOMMENDATION 1.1:		
We recommend that Flood Control and Engineering Services Management establish and document procedures regarding the review and approval of employee time by direct supervisors or managers.		
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	February 15, 2025	Amy McCormick

Narrative for Recommendation 1.1 including action plan. Engineering and Flood Control (EFC) will draft a procedure that outlines the responsibilities of the managers as they review their employees' hours in PeopleSoft (PS), VUEWorks (VW), and Time Clock Plus (TCP). The procedure will continue to use the signature on the printout of the VW timesheet report to show that the manager has reviewed all the employee's hours, including leave hours.

SALT LAKE COUNTY

RECOMMENDATION 1.2: We recommend that Flood Control and Engineering Services Management establish and document policies and procedures that address situations when the direct supervisor is unavailable to approve time. These procedures should include documentation requirements 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	February 15, 2025	Amy McCormick

Narrative for Recommendation 1.2 including action plan. In the procedure mentioned in Recommendation 1.1, Engineering and Flood Control (EFC) will include protocols to address situations in which the direct supervisor is unavailable to approve time.

AUDIT FINDING 2: Badges Used to Clock In and Out Not Secured

RECOMMENDATION 2.1: We recommend that Flood Control and Engineering Services Management establish and implement clear guidelines requiring employees to always keep their badges in a secure location or on their person to prevent unauthorized access by other 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	January 1, 2025	Amy McCormick

Narrative for Recommendation 2.1 including action plan. EFC will establish guidelines that require Flood Control Crew employees to keep their badges in a secure location.

RECOMMENDATION 2.2: We recommend that Flood Control and Engineering Services consider implementing a two-factor authentication system by exploring a system that combines a badge swipe with a PIN or biometric scan (fingerprint, facial recognition).		
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	January 1, 2025	Amy McCormick

Narrative for Recommendation 2.2 including action plan. We anticipate that biometric fingerprint scanning will be problematic due to the nature of the work the Flood Control Crew performs. However, EFC will research other options for implementing a two-factor authentication system.

AUDIT FINDING 3: Agency Did Not Understand Retro Pay and Final Payout Responsibilities

RECOMMENDATION 3.1: We recommend that Flood Control and Engineering Services Management establish clear written policies and procedures for calculating and verifying retroactive payments and leave payouts.		
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	February 15, 2025	Amy McCormick

Narrative for Recommendation 3.1 including action plan. Mayor Finance (MF) has provided guidance on retroactive payments and leave payouts. EFC will follow MF’s guidance and draft a procedure indicating as such.

RECOMMENDATION 3.2: We recommend that Flood Control and Engineering Services Management work with Payroll Administration to establish a documentation retention system to ensure that documentation supporting payroll 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	February 15, 2025	Amy McCormick

Narrative for Recommendation 3.2 including action plan. EFC will draft a procedure for retaining supporting documentation for payroll payments in accordance with Mayor Finance guidelines and Records Management and Archives published retention schedule.

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.

AUDIT FINDING 4: No Internal Policy for On-Call Requirements

RECOMMENDATION 4.1: We recommend that Flood Control and Engineering Services Management document a standard operating procedure for on-call employees, ensuring compliance with Salt Lake County Human Resources Policy 5-300.		
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	February 15, 2025	Amy McCormick

Narrative for Recommendation 4.1 including action plan. EFC will draft a procedure for handling on-call situations for Division employees.

AUDIT FINDING 5: W-4 Forms Not Obtained and On File

RECOMMENDATION 5.1:		
We recommend that Flood Control and Engineering Services Management establish and document procedures for obtaining, storing, and accurately entering W-4 forms. These procedures should include a documented secondary review and approval process 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
Agree	February 15, 2025	Amy McCormick

Narrative for Recommendation 5.1 including action plan. Employees are responsible for entering and updating their W-4 forms electronically into PS. EFC will draft a procedure for handling and storing paper copies of W-4 forms that are received for Division employees.

RECOMMENDATION 5.2:		
We recommend that Flood Control and Engineering Services Management maintain hard or electronic copies of each employee’s W-4 documentation for a minimum of four 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	February 15, 2025	Amy McCormick

Narrative for Recommendation 5.2 including action plan. EFC will draft a procedure for handling and storing paper copies of W-4 forms that are received for Division employees in accordance with Mayor Finance guidelines and Records Management and Archives published retention schedule.

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.

AUDIT FINDING 6: Overtime Compensation Forms Missing or Incongruent with Time Earned and Overtime Compensation Time Approvals Lacking Authorization

RECOMMENDATION 6.1: We recommend that Flood Control and Engineering Services Management establish a procedure to ensure the completion of an Overtime Compensation Agreement form for every employee during the hiring process and whenever there is a decision to make changes in the selection.		
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	February 15, 2025	Amy McCormick

Narrative for Recommendation 6.1 including action plan. EFC will draft a procedure establishing guidelines for completing the Overtime Compensation forms at the time an employee is hired as well as when an employee desires to make a change to their selection.

RECOMMENDATION 6.2: We recommend that Flood Control and Engineering Services Management establish and implement controls to ensure 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	February 15, 2025	Amy McCormick

Narrative for Recommendation 6.2 including action plan. In the procedure that will be drafted for Recommendation 6.1, EFC will also include protocols to confirm that overtime pay, and compensatory time earned is consistent with the employee’s selection on the Overtime Compensation Agreement form.

RECOMMENDATION 6.3: We recommend that Flood Control and Engineering Services Management establish clear procedures that address situations when the direct supervisor is unavailable to approve time. These procedures should include documentation requirements 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	February 15, 2025	Amy McCormick

Narrative for Recommendation 6.3 including action plan. As mentioned in our response to Recommendation 1.1, EFC will draft a procedure to address situations in which the direct supervisor is unavailable to approve time. The procedure will also address the documentation required when a supervisor is not available to perform the approval of their employees’ timesheets.

RECOMMENDATION 6.4: We recommend that Flood Control and Engineering Services Management establish written internal policies and procedures that address compensatory time for FLSA 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	Implemented	Amy McCormick

Narrative for Recommendation 6.4 including action plan. The Public Works Department Director drafted a compensatory time procedure for all Divisions within the Department to use for FLSA exempt employees.

Respectfully,

 Digitally signed by Kade Moncur
Date: 2024.10.24 09:50:25 -06'00'

Kade D. Moncur, PE, CFM, Director
Flood Control and PW Engineering Division

CC: Scott Baird
Jared Steffey

KDM/AJM

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