

GALVESTON COUNTY



Office of County Auditor

Randall Rice CPA CISA CIO, County Auditor
Kristin Bulanek CIA, First Assistant County Auditor

P.O. Box 1418, Galveston, Texas 77553

(409) 770-5304

722 Moody Ave 4th Floor, Galveston, TX 77550

May 18, 2020

Honorable Mark A. Henry, County Judge, and
Members of the Commissioners Court
722 Moody Avenue
Galveston, Texas 77550

Honorable Mark A. Henry and Members of the Court:

Attached to be received and filed is the quarterly audit report of the payroll audit that covered the period January 1, 2020 to March 31, 2020 (biweekly #02, 2020 to biweekly #07, 2020).

Sincerely,

Randall Rice CPA

Digitally signed by Randall Rice CPA
DN: cn=Randall Rice CPA, o=Galveston County, ou=County
Auditor, email=randall.rice@co.galveston.tx.us, c=US
Date: 2020.05.01 09:25:49 -05'00'

Randall Rice CPA
County Auditor

Cc: Kristin Bulanek CIA, First Assistant County Auditor
Kevin Walsh CPA, County Treasurer
Arnel Wetzels, Department of Human Resources
Walter LaGrone, Department of Information Technology

Attachment: Quarterly Payroll Audit Report – FY 2020 Quarter 2

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April 20, 2020

To: Honorable Mark A. Henry, County Judge, and
Members of the Commissioners Court

From: Mr. Randall Rice CPA
Galveston County Auditor

Re: FY 2020 Quarter 2 Payroll Review
Biweekly # 02, 2020 – Biweekly # 07, 2020

The Galveston County Auditor's Office, with the County Treasurer's Office, has examined the Biweekly Payroll in accordance with Local Government Code §115. The internal audit covered the period January 1, 2020 through March 31, 2020 (PP2 – PP7).

Total funded payroll for the audit period was \$27,253,435.79.

Reviews performed by both the Treasurer's Office and Auditor's Office are critical in preventing/detecting fraud and minimizing incorrect payments. Since the review is not a detailed examination of all transactions, there is a risk errors and fraud may not always be detected.

Changes Affecting Personnel & Pay Information

When there is a new hire, termination, promotion, transfer, reclassification or salary increase/decrease, a Personnel Action form is required to be completed and signed by a Department Head. Human Resources (HR) uses this form to update information in the county's financial system, ONESolution. If an employee wishes to have their paycheck deposited via electronic funds transfer (EFT), an appropriate form must be completed to update banking information in ONESolution. These types of information are entered into the module by Human Resources, and should flow through the system to the payroll (PY) module. Internal Audit performs several tests to verify information entered is supported, is entered completely and accurately and flows through the system correctly.

- 19 data entry errors were identified by Internal Audit and were corrected by Human Resources prior to release of paychecks.
- All changes to employee personal information and payroll records were supported by a Personnel Action or applicable support documentation.
- All electronic fund transfers were directed as authorized by the employee.
- Any changes to electronic fund transfers were verified by Human Resources.

Contributions and Deductions

A contribution is the portion of benefit expenses that Galveston County covers as a courtesy for employees and a deduction is the portion of benefit expenses that an employee must pay in order to receive the benefit. There are mandatory and optional benefits. Mandatory benefits are administrated directly by the county and include retirement benefits such as TCDRS and AUL. Optional benefits are administrated by First Financial who provides a list of employee selected benefits to Galveston County.

- Internal Audit reviewed payroll records to ensure all benefit deductions and contributions for optional benefits from First Financial were completely and accurately changed in payroll. No exceptions were noted.
- All eligible employees had the mandatory contributions and deductions each pay period. No exceptions were noted.

Timesheets

As of November 28, 2019, every employee is using TimeClockPlus to record and track their time. At the end of each pay period, the Treasurer's Office exports all timesheet activity from TimeClockPlus and uploads the data into ONESolution. Internal Audit performs testing on these timesheets. The following was noted in Internal Audit's reviews:

- 175 paycheck stubs did not reconcile to submitted timesheets. All were corrected prior to payroll being finalized. The financial impact was \$49,218.06.
- All active employees who received \$0 net pay in a pay period were reviewed. No exceptions were noted.
- No duplicate timesheets were identified.
- No employees were set up to receive both salary and hourly pay in a single pay period.
- No employees were set up to receive overtime pay without having worked at least 40 hours in the pay period.
- All employees reporting Family Medical Leave Act (FMLA) time were approved by HR.
- District Attorney (DA) longevity pay was accurately paid to appropriate employees.

Recalculations

ONESolution's Payroll Module is configured to perform calculations while processing payroll. Internal Audit recalculates select numbers to verify the system's calculations are correct. The following was noted:

- The calculation of hours worked multiplied by pay rates was recalculated and verified to be correct.
- Ratios between annual, biweekly and hourly pay for employees were correct.
- Law Enforcement longevity pay was recalculated and verified to be correct.

Human Resources Policy Manual

The Galveston County Human Resources Policy Manual HR008-Time-Off states employees shall be allowed such holiday paid leave as is annually authorized by Commissioners Court, immediately upon hire. HR008-Time-Off also provides the bi-weekly vacation accrual rate according to employees' years of service. Internal Audit verified holiday pay and vacation accruals were accurately setup by Human Resources and in compliance with HR008. The following was noted:

- 1 employee was not set up to receive vacation accrual as they should have in accordance with HR800. This was corrected prior to payroll being finalized. The financial impact was \$98.67.
- 1 employee was not set up to receive holiday pay as they should have in accordance with HR800. This was corrected prior to payroll being finalized. The financial impact was \$214.78.

Miscellaneous Testing

Internal Audit performs miscellaneous tests to help detect potential fraudulent activity related to payroll. These tests include verifying inactive personnel do not receive pay, duplicate employees do not exist and paycheck numbers do not contain any gaps or duplicates. The following was noted during Internal Audit's review:

- All paid personnel had an active payroll record.
- All active employee records were tested to ensure duplicate records did not exist. No exceptions were noted.
- Paycheck sequencing was tested to ensure no check numbers were skipped or duplicated. No exceptions were noted.

The Auditor's Office continues to work with Information Technology, the Treasurer's Office and Human Resources to monitor each payroll, with the intent to reduce the number of payroll errors. We would like to thank the staff of all three offices for their cooperation.

Respectfully,

Randall Rice CPA

Digitally signed by Randall Rice CPA
DN: cn=Randall Rice CPA, o=Galveston County,
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Randall Rice CPA
County Auditor

CC: Kristin Bulanek CIA, First Assistant County Auditor
Kevin Walsh CPA, County Treasurer
Arnel Wetzel, Department of Human Resources
Walter LaGrone, Department of Information Technology