

AUDITOR GENERAL

Halifax Regional Municipality



Payroll Management Audit

May 15, 2019

Overview of Audit



- Overall, some payroll activities effectively managed but improvements needed
- Payroll has many manual processes with limited monitoring to confirm payroll changes are correct
 - Increased risk of fraud and error
- Practices to prevent unauthorized payroll payments, but gaps remain
- Payroll staff accurately enter employee timesheets
- But often not approved by business unit management prior to payment

Detailed Results

- Key payroll processes are manual
- Management completes some checks on payroll data changes, but process is informal
 - Not clear which items were reviewed
 - Error selected for review but not corrected
- Payroll staff not required to check changes to employee banking information
- Sample – 148 changes to employee payroll data
 - 15 errors (10%), eight of which impacted each employee's pay or leave balances (i.e.: vacation, emergency leave)



Detailed Results



- Payroll staff check to identify errors such as unusually high pay
 - But process ineffective
 - Staff checking for errors also have access to change payroll amounts
 - Should be completed by staff who cannot make changes to time in the payroll system



Detailed Results

A red, rectangular stamp with a distressed, ink-like texture. The word "APPROVED" is written in bold, uppercase letters across the center of the stamp.A green, rectangular stamp with a distressed, ink-like texture. The word "SIGNATURE" is written in bold, uppercase letters across the center of the stamp.

- Not clear who should approve employee payroll data changes
 - Payroll staff have different interpretations of required approvals
 - Change form does not clearly state required approvals
 - Three versions of form across our sample
- Practices to prevent unauthorized payments exist; but gaps should be addressed (vacation, banking information)
- Payroll performs regular backup procedures in case of payroll system failure.

Detailed Results

- Sample of 148 employee data changes
 - One personnel file missing two requests for employee payroll data changes
 - 14 samples – the change request was either in payroll staff individual HRM e-mail accounts (rather than personnel folders), or the file had been misplaced
- Payroll file documentation should not be maintained in payroll employee e-mail records.



Detailed Results

APPROVED



- Employee time sheets accurately entered in payroll system, but not always approved by HRM managers before payment issued.
 - 27% of time sheets sampled were not approved before entered in payroll system
 - Approvals e-mailed by the supervisor's administrative assistants for the supervisor, with the supervisor copied on the e-mail
 - Supervisors being copied on an email does not represent approval
 - Most unapproved timesheets were approved after entered into the payroll system

Detailed Results



- Tested bank payroll files for five pay periods
 - Confirmed no discrepancies between HRM payment file and bank
- Online banking portal set up to prevent unauthorized payments.
 - Access to create and approve payroll payments was restricted.
 - Limits the risk of fraud
 - Access changes approved by a second administrator
 - Bank advised these controls existed during our audit period, but we have no way to confirm this.
- HRM has not asked bank for independent report on its controls.

Wrap-up



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Purchasing Card Program Audit

May 15, 2019

Overview of Audit



- Procurement not effectively managing HRM's purchasing card program
- Many purchases did not follow the Purchasing Card Policy
 - Procurement monitoring did not identify
 - Procurement did not enforce the policy
 - One purchasing card used without appropriate regard for taxpayer dollars
 - Not identified and managed by Procurement
- No process to cancel cards when employees leave HRM

Detailed Results

- Transportation and Public Works employee made many purchases not allowed by policy

Items	Quantity	Cost
Monitors	27	\$7,536
Tablets / laptops	3	\$1,771
Printers	5	\$1,357
Cell phone	1	\$100
Prepaid cell phone cards	26	\$1,541
Cables / adapters / chargers	335	\$13,900
Other computer accessories	67	\$5,721

Detailed Results

- Employee made inappropriate purchases

Items	Quantity	Cost	Notes
Bose brand Bluetooth speakers	2	\$476	
Apple Homepod	1	\$418	Management said this was purchased as a speaker for events and used 2-3 times, most recently at a staff BBQ.
Apple Airpod headphones	1	\$220	
Fossil brand bags	3	\$846	2 at \$358 and 1 at \$130
Cell phone cases over \$100	23	\$2,677	
Google Chromecast	1	\$91	

Detailed Results

- Procurement staff noted issues with employee's purchases in 16 monthly compliance reports over 37 months
 - Procurement took no further action on the use of this card
- 26 monthly card statements missing detailed receipts.
- Employee's manager did not sign several card statements
 - Employee used Manager's electronic signature
 - Submitted statement to Procurement without review and approval by Manager
 - Manager aware of many purchases we identified concerns with.



Detailed Results

- Procurement's monitoring missed many purchases not allowed by policy
 - Noncompliant purchases we identified
 - 29%: Procurement monitoring missed
 - 71%: Procurement decided not to enforce policy
- Procurement does a poor job tracking repeat problems with cardholders not following policy
 - Track for one year and reset
 - Procurement not taking appropriate action when purchases do not follow policy
 - Cardholders' managers and directors should be adequately informed of recurring issues



Detailed Results



- No process to notify Procurement when employee moves, leaves HRM or takes leave of absence
 - Nine cards assigned to employees who had left or on leave HRM
 - One card belonging to former employee used three times
 - Three cards had transactions while the cardholders were on leave
 - No concerns with purchases made; risk exists

Wrap-up



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Questions?