



Wicomico County, Maryland
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Internal Auditor's Report

The County Council and Acting County Executive of Wicomico County, Maryland:

Pursuant to Section 305(D) of the Wicomico County Code and Resolution 81-2021, the Office of the Internal Auditor (IA) has conducted an Employee Deductions Audit. A report is submitted herewith. The purpose of the audit was to assure that voluntary benefits deducted from employee pay by the County are properly authorized by the employee and coverage is enrolled by the County.

IA conducted the audit with due professional care, and IA planned and performed the audit to obtain reasonable assurance about whether the current practices and procedures in regards to voluntary employee deductions are in place and functioning properly.

IA extends appreciation to Management and Staff for their timely assistance and cooperation in the Employee Deductions audit.

Respectfully submitted,

Levin J. Hitchens

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Internal Auditor

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Audit Report

Background

Wicomico County Voluntary Deductions

Wicomico County offers its employees a wide range of benefits. Among the benefits and deductions are:

| | | |
|--|--|--|
| <u>Medical Benefits</u> Health Dental Vision | <u>Life Insurance</u> Two choices for optional coverage | <u>United Way</u> |
| | <u>Retirement Planning</u> 457(b) Plan Pension Plan | <u>Other Insurance</u> Cancer Critical Illness Accident Only Short Term Disability Hospital Indemnity |
| <u>Flexible Spending Accounts</u> Health Spending Dependent Care | County provides death benefit | |
| | County provides LTD insurance | |

Notes on the above chart:

- United Way is an opportunity to donate to a non-profit rather than a benefit
- The pension plan is not a “voluntary” deduction
- The death benefit (one-year salary) and long-term disability insurance are 100% paid by the County on behalf of employees, thus, do not get deducted from employee pay
- The County has a couple legacy providers, Aflac and Colonial, which provide benefits to a small number of employees.

Benefits Enrollment

The County has open enrollment each July and the human resources department coordinates employees and benefit providers to assist in the process. American Fidelity enrolls employees directly through their web portal for flexible spending accounts, life insurance, and various other insurance products. Uniquely, the American Fidelity insurance products are not county dependent and allow employees to continue coverage post-employment. CareFirst is the medical benefits provider; employees that do not utilize this benefit should sign a waiver to the health insurance annually. Outside of the open enrollment period, employees sign their donation commitments for United Way around November each year to commit for the following calendar year. Employees may modify 457(b) plan contributions anytime directly with the plan provider, Empower.

Audit Objective

The objectives of the audit were to:

1. Analyze the County’s procedures and controls for implementing employee deductions to payroll process
2. Evaluate payroll records for deduction accuracy
3. Make recommendations (if appropriate)

Scope of the Audit

IA examined employee deductions with the current FY2022. Additionally, IA interviewed personnel and examined various documents related to procedures and deduction enrollment.

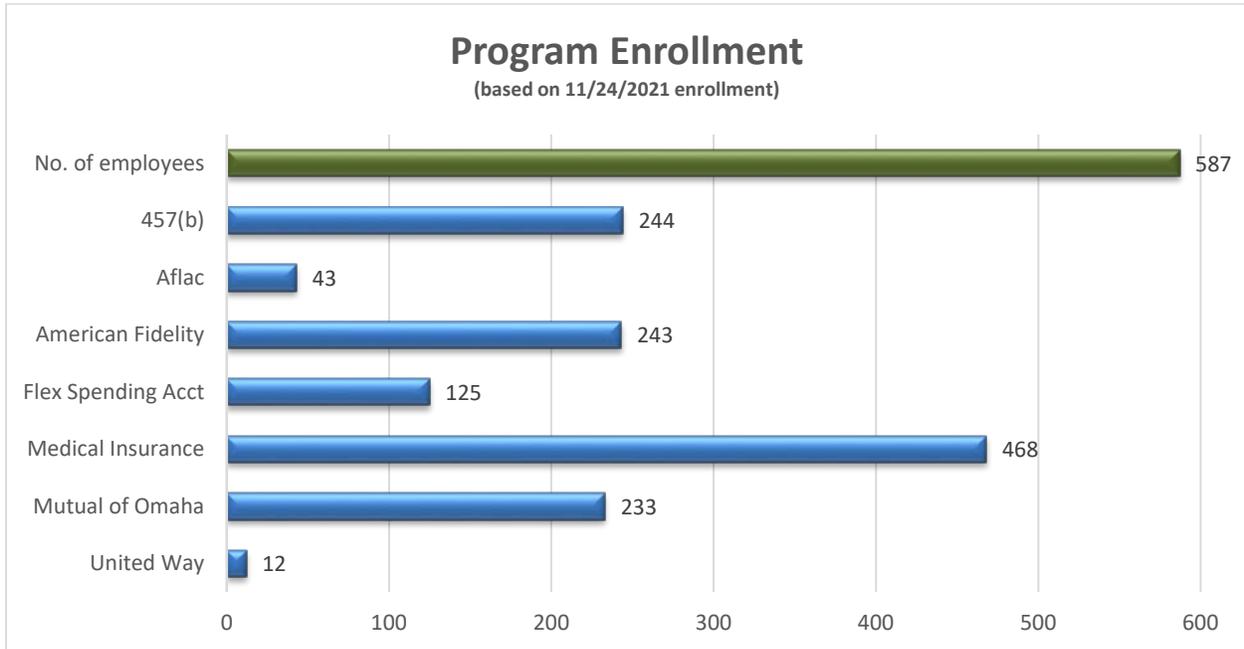
General Statistics and Highlights

IA tested benefits enrollment in a number of ways. First, to compare payroll deductions to actual enrollment documentation kept on file in human resources to ensure that employees have authorized the payroll deductions as well as having the correct amount deducted from their pay. The second test was a review of vendor invoices to

confirm that employees are properly enrolled and receiving benefits from coverage providers. Lastly, a review of invoices in reverse of the first two tests to assure that employees are paying for benefits provided. IA did not find any discrepancies within any of the tests performed.

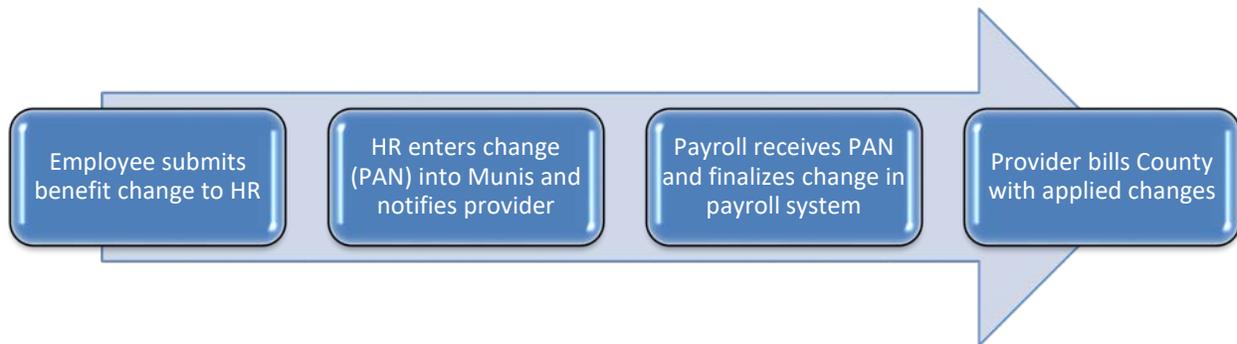
Enrollment Statistics

The chart below shows a snapshot of the number of eligible employees (587) and the number that opt-in to various benefits.



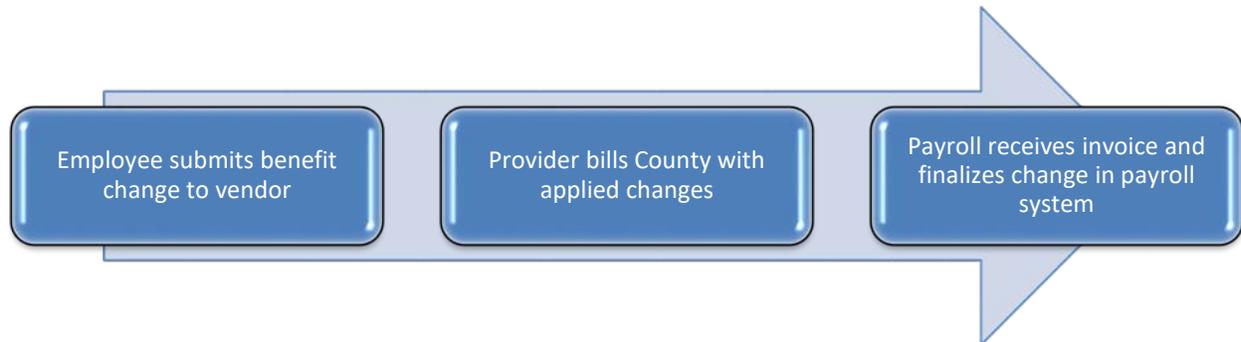
Internal Controls

The flowchart below provides an overview of the process to change benefits enrollments for most programs.



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The process is slightly different for American Fidelity and Empower. The vendors host the enrollment and change process directly with the employee without HR acting as a liaison. County notification of enrollment changes happen via the invoice reconciliation process in payroll.



Conclusion

Based on testing and interviews performed for the Employee Deductions Audit, IA is of the opinion that the program's design is at a satisfactory¹ level.

Schedule of Findings and Recommendations

1. Benefits Reconciliation

Most of the provider invoices and payroll deductions are reconciled in the payroll department. The exceptions are the benefits billed through Kelly, which include long-term disability and voluntary life insurance. Those benefits are currently reconciled in the HR department. IA makes two recommendations for the reconciliation process. First, IA recommends all benefits be reconciled in the payroll department, performed monthly as it is currently. Second, IA recommends a separate reconciliation process performed by staff independent of the payroll process, which may further enhance internal control.

Management Response

The Department of Finance will work with the Department of Human Resources to ensure reconciliations of benefits are completed by appropriate personnel, and the Department will continue to have management approve these reconciliations when completed.

2. Standalone Vendor Reporting

As mentioned earlier, American Fidelity and Empower are unique among the County's benefit providers in that it bypasses HR as a liaison for enrollment. Employees have login information and enroll directly with American Fidelity and Empower. The benefits are also unique because they are independent to County employment. For changes to

¹ For the purposes of this audit, IA uses a three-tier grading system recommended by the International Professional Practices Framework (IPPF) as expressed by the [IPPF Practice Guide](#) issued March 2009. The three tiers are Inadequate System of Internal Control, Adequate System of Internal Control, and Satisfactory System of Internal Control. Satisfactory findings indicate that overall controls are satisfactory, although some enhancements may be recommended. It is the highest rating on the scale.

these two vendors or any vendors that are setup in a similar way, IA recommends the County keep record of the changes.

Management Response

The Department of Finance will periodically verify the information submitted by employees through reconciles with payroll withholdings to ensure withholdings are proper.

Auditor's Closing Remark

The Wicomico County Office of the Internal Auditor would like to thank management and staff from human resources and finance for their timely cooperation and assistance during the audit.