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Internal Auditor's Report

To the County Council and County Executive of Wicomico County, Maryland:

Pursuant to Section 305(D) of the Wicomico County Code and Council Resolution No. 99-2019, the Office of the Internal Auditor (IA) has conducted an Audit of the Wicomico County Payroll System. A report is submitted herewith. The purpose of the audit was to determine the adequacy of procedures and controls along with the level of compliance with those procedures and controls for selected payroll and human resource processes.

IA conducted the audit with due professional care, and IA planned and performed the audit to obtain reasonable assurance about whether selected current practices are in compliance with applicable policies and procedures and whether those policies and procedures are adequate to obtain an acceptable level of control.

IA extends appreciation to Management and Staff in Human Resources, Finance, and Information Technology for their timely assistance, cooperation, and candid assessment of selected processes.

Respectfully submitted,

Levin J. Hitchens

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Internal Auditor

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Audit Report

Background

Time entry and timekeeping procedures vary among departments based upon what has been determined the best method to suit their particular needs. Methods for timekeeping include use of biometric scanners, logging into the browser based TimeClock module on a computer, or using written time entry forms. The payroll process is decentralized in nature, in that, each department has their own hierarchy for validating and approving time before it is sent to payroll personnel for processing. Departments with larger payroll budgets typically have a dedicated department level accountant that adds a layer of control to the process.

Management recently moved payroll processing to the Finance Department from the Human Resources Department. Tests performed in this audit were on the prior procedures; however, the testing would have been very similar. Human Resources Department is still responsible for employee onboarding and benefits coordination.

Audit Objectives

The objectives of the audit were to:

1. Determine if internal controls over the payroll process are appropriately designed
2. Determine if controls are operating effectively to adequately safeguard County assets

Scope of the Audit

The period examined was April 2019 to December 2019. Additionally, IA held interviews with appropriate personnel and examined various documents pertaining to the following:

- Payroll records in Munis and TimeClock
- Journal entries
- Employee roster information

General Statistics and Highlights

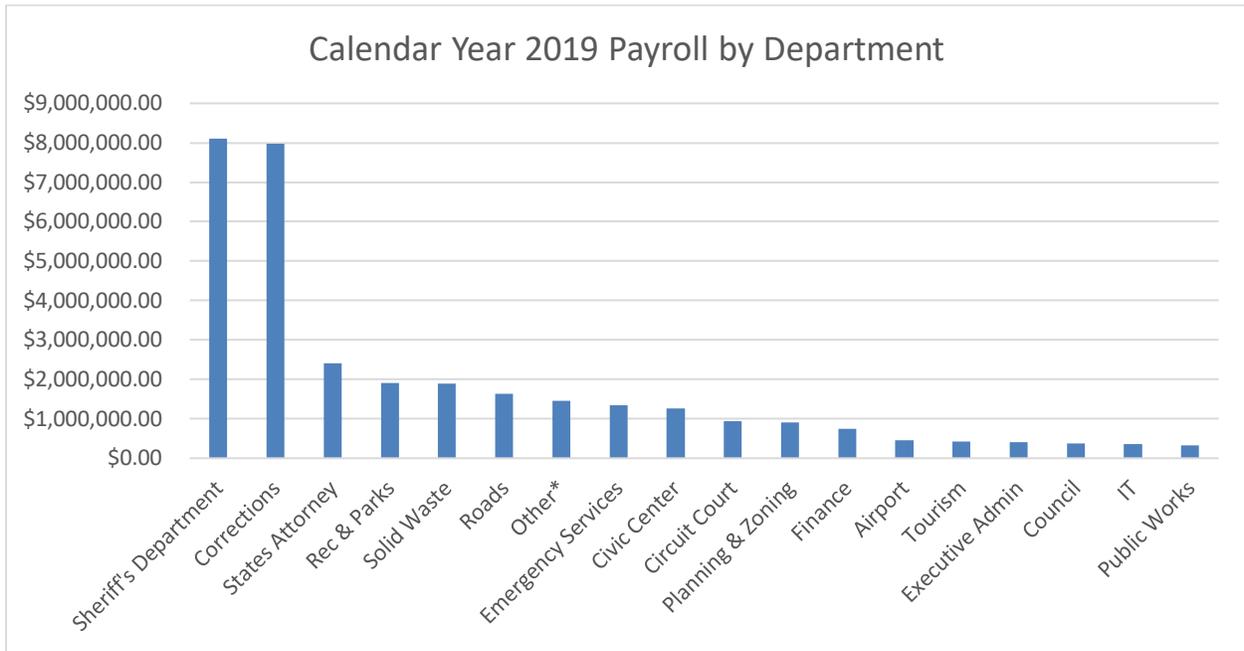
Wicomico County administered a payroll that amounted to \$32,946,884 for 1,244 full-time and part-time individuals during calendar year 2019. The County uses two electronic systems to manage human resources:

- Munis
- TimeClock Plus

The TimeClock software exports data directly into Munis to help assure integrity of inputs. TimeClock data is approved by the employee, a proxy in their department (usually a supervisor), and payroll personnel. The Munis approval process adds the disbursement accountant in Finance and staff from Human Resources.

(continued on next page)

Graphical representation of expenditures by department is as follows:



*The "other" group is a total of departments with a payroll budget under \$250,000

Conclusion

Based upon the tests performed during the audit and the evaluation of the overall payroll process, IA rates the system at a satisfactory level.¹

Schedule of Findings and Recommendations

1. Software Permissions

A test of permissions for TimeClock revealed an employee with access to departments outside of their own, IT made the necessary changes to the profile the same day they became aware.

An employee profile in Munis is set to auto-approve payroll during the bi-weekly approval process. IT Personnel worked with the software manufacturer to understand why the settings were not working as intended. Before publishing of this report, subsequent tests verified IT was able to remedy the issue.

2. Payday-Holiday Conflict

The County's normal scheduled payday happened to also be Christmas Day in 2019. Management has the understanding that the bi-weekly Wednesday payment is codified and not easily changed. Management worked

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.

with banks and believed funds would be available in employees' checking accounts as scheduled on Wednesday. Some employees, however, did not receive the deposits into their accounts until Thursday.

Management made IA aware that a similar conflict will occur in calendar year 2020 on Veterans Day (see pay and holiday schedule in Appendix I). IA recommends Management and the County Council consider modifying the upcoming pay schedule to allow payment to employees on the preceding business day (November 10, 2020) which would assure prompt payment to all employees.

Auditor's Closing Remark

The Wicomico County Office of the Internal Auditor would like to thank Management and staff from the Department of Human Resources, Information Technology, County Administration, and County Finance for their timely cooperation and assistance during the audit.

Appendix I – Fiscal Year 2021 Holidays & Paydays

- July
 - 3 Independence Day Observed
 - 8 Pay Day
 - 22 Pay Day
- August
 - 5 Pay Day
 - 19 Pay Day
- September
 - 2 Pay Day
 - 7 Labor Day
 - 16 Pay Day
 - 30 Pay Day
- October
 - 14 Pay Day
 - 28 Pay Day
- November
 - 11 Veterans Day
 - 11 Pay Day
 - 25 Pay Day
 - 26 Thanksgiving Day
 - 27 Native American Heritage Day
- December
 - 9 Pay Day
 - 23 Pay Day
 - 25 Christmas Day
- **2021 Holidays Contingent on County Council Approval****
- January
 - 1 New Years Day
 - 6 Pay Day
 - 18 Martin Luther King Day
 - 20 Pay Day
- February
 - 3 Pay Day
 - 15 President's Day
 - 17 Pay Day
- March
 - 3 Pay Day
 - 17 Pay Day
 - 31 Pay Day
- April
 - 2 Good Friday
 - 14 Pay Day
 - 28 Pay Day
- May
 - 12 Pay Day
 - 26 Pay Day
 - 31 Memorial Day
- June
 - 9 Pay Day
 - 23 Pay Day

*Pay Days - Boxed
 Holidays Observed - Shaded
 Bi-weekly Pay Period Ends Wed'
 Week Prior To Pay Day-**Bolded**

| <h1 style="margin: 0;">FISCAL YEAR</h1> <h2 style="margin: 0;">2020-2021</h2> <h3 style="margin: 0;">Holidays & Paydays</h3> | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|----|----|----|----|----|----|----------------------|----|----|----|----|----|----|----------------------|----|----|----|----|----|----|----------------------|----|----|----|----|----|----|
| July 2020 | | | | | | | August 2020 | | | | | | | September '20 | | | | | | | October 2020 | | | | | | |
| S | M | T | W | T | F | S | S | M | T | W | T | F | S | S | M | T | W | T | F | S | S | M | T | W | T | F | S |
| | | | 1 | 2 | 3 | 4 | | | | 5 | 6 | 7 | 8 | | 1 | 2 | 3 | 4 | 5 | | | | 1 | 2 | 3 | | |
| 5 | 6 | 7 | 8 | 9 | 10 | 11 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 12 | 13 | 14 | 15 | 16 | 17 | 18 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 11 | 12 | 13 | 14 | 15 | 16 | 17 |
| 19 | 20 | 21 | 22 | 23 | 24 | 25 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 18 | 19 | 20 | 21 | 22 | 23 | 24 |
| 26 | 27 | 28 | 29 | 30 | 31 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 27 | 28 | 29 | 30 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | | | | |
| | | | | | | | 30 | 31 | | | | | | | | | | | | | | | | | | | |
| November 2020 | | | | | | | December 2020 | | | | | | | January 2021 | | | | | | | February 2021 | | | | | | |
| S | M | T | W | T | F | S | S | M | T | W | T | F | S | S | M | T | W | T | F | S | S | M | T | W | T | F | S |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 1 | 2 | 3 | 4 | 5 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 1 | 2 | 3 | 4 | 5 | 6 | | | |
| 8 | 9 | 10 | 11 | 12 | 13 | 14 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| 15 | 16 | 17 | 18 | 19 | 20 | 21 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
| 22 | 23 | 24 | 25 | 26 | 27 | 28 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 21 | 22 | 23 | 24 | 25 | 26 | 27 |
| 29 | 30 | 27 | 28 | 29 | 30 | 31 | 27 | 28 | 29 | 30 | 31 | 31 | 28 | | | | | | | | | | | | | | |
| March 2021 | | | | | | | April 2021 | | | | | | | May 2021 | | | | | | | June 2021 | | | | | | |
| S | M | T | W | T | F | S | S | M | T | W | T | F | S | S | M | T | W | T | F | S | S | M | T | W | T | F | S |
| 1 | 2 | 3 | 4 | 5 | 6 | 1 | 2 | 3 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 1 | 2 | 3 | 4 | 5 | | | | | | | |
| 7 | 8 | 9 | 10 | 11 | 12 | 13 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 14 | 15 | 16 | 17 | 18 | 19 | 20 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 13 | 14 | 15 | 16 | 17 | 18 | 19 |
| 21 | 22 | 23 | 24 | 25 | 26 | 27 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 20 | 21 | 22 | 23 | 24 | 25 | 26 |
| 28 | 29 | 30 | 31 | 25 | 26 | 27 | 28 | 29 | 30 | 30 | 31 | 27 | 28 | 29 | 30 | | | | | | | | | | | | |

payday calendar2020-2021