



HARFORD COUNTY, MARYLAND

Office of the County Auditor

AUDIT OF PAYRATE CHANGE APPROVALS

Report Highlights

Why We Did This Audit

This audit was added to the County Auditor's risk-based FY2018 Annual Audit Plan based upon the results of a prior audit.

What We Found

Changes to employee pay rates are accurate and approved.

Report Number: 2018-A-08

Date Issued: 10/26/2017

Council Members and County Executive Glassman:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of changes to employee pay rates. The results of that audit are detailed in the attached report. In summary, we found that changes to employee pay rates agreed to supporting documents and were approved properly.

We would like to thank the members of management for their cooperation during the audit. The audit team is available to respond to any questions you have regarding the attached report.

Sincerely,

Chrystal Brooks, CPA

Chrystal Brooks
County Auditor

cc: Mr. James Richardson, Director of Human Resources
Mr. Robert Sandlass, Treasurer
Ms. Melissa Lambert, County Attorney

Audit Team:

Chrystal Brooks
CPA, CIA, CGAP, CISA, CGFM, CRMA
County Auditor

Sarah Self
Staff Auditor



HARFORD COUNTY, MARYLAND

Office of the County Auditor

REVIEW RESULTS

We have audited changes to employee pay rates for the period of 7/1/2015 through 9/1/2017. Our opinion, based on the evidence obtained, is pay changes were approved and made correctly. The audit approach focused on testing the key controls that address management's objectives for this limited portion of the payroll process. Conclusions drawn are below.

Risk	Expected Controls	Conclusions
Employees are paid incorrect rates	Changes to pay rates are approved by supervisors, Budget and Department Heads	Satisfactory
	New pay rates agree to the approved amounts	Satisfactory

We did not identify any matters for remediation. Although none was required, management has been provided an opportunity to respond to this report. Accordingly, management did not wish to provide a response.

BACKGROUND INFORMATION

PROGRAM DESCRIPTION AND KEY STATISTICS

Harford County Government pays approximately \$85 million each year to employees who work for the County Government, the Harford County Sheriff's Office, and the State's Attorney's Office. Employees are paid for their time worked, paid leave (time off), overtime, shift differentials, and various other items. The County also manages the deductions from pay for health insurance, taxes, retirement contributions, and other reasons. Payroll is responsible for ensuring approximately 1,600 people are paid every two weeks.

Harford County relies heavily on computer systems to manage human resources, time entry, payroll, and accounting data and to perform most of the payroll related calculations. Changes to employee pay rates and approvals for those changes are made in two different systems. In a recent audit, we reviewed the County's Payroll process and issued audit report 2017-A-10. That report contained a modified opinion because of a scope limitation. The scope limitation, in part, was due to not being able to review documentation supporting payrate changes. Incorrect or unapproved pay rates could have significant and ongoing, though not material, impact on the County's financial records.

REVIEW OBJECTIVE, SCOPE AND METHODOLOGY

The objective of this project was to confirm that payrate changes are made by authorized personnel and approvals are documented satisfactorily. The scope was limited to reviewing payrate changes for a sample of employees during the audit review period via the associated Personnel Action Authorization (PAA) forms. Criteria included County Policies and Procedures, County Code and applicable union agreements. The review covered the period of 7/1/2015 - 9/1/2017.

The audit focused on activity during the period of 7/1/2015 through 9/1/2017. In the prior related audit, we reviewed the internal controls for the payroll process and determined which controls were key in preventing an error. For this audit, we focused on the previously untested controls that ensure employees' pay rates are changed correctly. Specifically, our audit procedures included analysis of payroll data to identify rate changes and review of the supporting PAA forms.

Harford County management is responsible for establishing and maintaining effective internal controls. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets and compliance with applicable laws, rules and regulations are achieved. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected.

The audit was performed in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient 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 based on our audit objectives.