



HARFORD COUNTY, MARYLAND

Office of the County Auditor

AUDIT OF PAYROLL CONTROLS SUPPLEMENT

Report Number:
2022-A-16

Report Date:
05/26/2022

Council Members and County Executive Glassman:

In accordance with Section 213 of the Harford County Charter, we have performed supplemental audit procedures related to Payroll for the period of 07/01/2021 through 04/30/2022. This audit was conducted as part of the County Auditor's risk-based Annual Audit Plan approved by the County Council for FY2022.

The objective of this audit was to confirm that payroll data was completely and accurately restored following the Kronos outage and leave accruals and balances are correct. This audit followed a more comprehensive audit completed in 2022, so the scope was limited to the specific topics included in the objective which could not be tested in the prior audit. The results of the audit, our findings and recommendations for improvement are detailed in this report.

We would like to thank the members of management for their cooperation during the audit. Although none was required, they have been provided an opportunity to respond to this report; accordingly, no response was provided.

Sincerely,

A handwritten signature of Chrystal Brooks, CPA.

Chrystal Brooks
County Auditor

CONCLUSIONS

Our opinion, based on the evidence obtained, is paid leave balances were adjusted completely and correctly following the Kronos outage and leave balances reflect actual use and expected accruals. This assessment is based on the strengths and weaknesses identified for the operational objectives below.

Business Process Objective	Assessment ⁱ
Data was fully restored after the Kronos outage	Effective
Employee Leave balances and accruals are correct	Effective

BACKGROUND, OBJECTIVES, SCOPE AND METHODOLOGY

Payroll processing is a time-sensitive administrative function that must be performed accurately. The payroll process includes Human Resources, timekeepers in each department, and Treasury accountants working collaboratively using timekeeping and payroll systems. On a biweekly basis, employee work and leave hours must be documented, time and salary adjustments made, benefit deductions managed, accounting transactions recorded, and payments deposited to employees' bank accounts. The process relies on third-party systems Cyborg and Kronos to manage human resources, time entry, payroll, and accounting data.

In our recent audit of Payroll controls, after the audit period, but before the audit report was issued, the County's timekeeping system, Kronos, became unavailable due to a ransomware attack on the vendor. This impacted the processing of payroll such that overtime, shift differentials and leave balances would require manual adjustments. To mitigate effects of the attack, Treasury implemented new county-wide timekeeping procedures which relied on the systems used before Kronos was implemented. The outage also prevented us from completing some audit procedures related to paid leave use and accruals.

As a result, we performed this limited scope audit of the affected timekeeping data and leave balances. The audit approach focused on testing the key controls that address management's objectives. Our audit procedures included interviewing personnel, observation and testing as described in the table below.

Process / Control Objective	Scope of Review
Data Restoration	
Timesheet information and leave use was updated completely	<ul style="list-style-type: none">Met with management to review the process that was used to restore the data.For a sample of leave paid during the period, confirmed that the leave was reduced from the employee's balance in Kronos
Leave Balances	
Leave accruals are calculated automatically based on the rates in the County Code	<ul style="list-style-type: none">Confirmed that all current leave accrual rates are correctPerformed data analysis using payroll records and expected leave accrual rates to confirm all leave balances are correct
Used leave is accurately reflected in leave balances	

We have reviewed the issues reported in prior audits and found that they were not relevant to the specific processes under review in this audit.

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.

Report Distribution:	Audit Team:
Mr. Robert Sandlass, County Treasurer	Chrystal Brooks
Ms. Jaime DeWitt, Payroll Accountant	CPA, CIA, CGAP, CISA, CGFM, CRMA
	<i>County Auditor</i>
	Sarah Self
	CIA, CGAP
	<i>Senior Auditor</i>

ⁱ Definitions

Effective: The design and effectiveness of the internal control environment address key risks. The business unit complies with external laws and regulations, and internal policies, procedures and guidelines. Business processes are managed effectively resulting in achievement of expected outcomes.

Generally Effective: The design and/or effectiveness of the internal control environment generally address key risks; however, the number and severity of findings relative to the size and scope of the business unit being audited indicate that some minor areas of weakness in the control environment need to be addressed. Isolated instances of non-compliance with external laws and regulations, and internal policies, procedures and guidelines may exist. Business processes may not be managed effectively in all areas resulting in reduced achievement of expected outcomes.

Not Effective: The design and/or effectiveness of the internal control environment does not address key risks. Non-compliance or historical patterns of non-compliance with key regulatory requirements and internal policies, procedures and guidelines exist which expose the audited entity to financial, reputational, and operational risks. Business processes are not managed effectively and expected outcomes are not achieved.