

Office of the State Controller

Self-Assessment of Internal Controls

Human Resources Cycle

Objectives and Risks

Agency _____

Year-End _____

<u>Objectives</u>	<u>Risks</u>
<p>Additions, separations, wage rates, salaries and deductions are authorized and documented. Payroll and personnel policies are in compliance with grant agreements and federal and state laws.</p>	<ul style="list-style-type: none"> • Unauthorized or fictitious names are added to the payroll. • Payments continue to terminated employees. • Wage rates and salaries used are at a higher rate than authorized. • Payroll reimbursement through grant funding denied. • Penalty for noncompliance with federal and state laws.
<p>Employees' time and attendance data are properly reviewed and approved.</p>	<ul style="list-style-type: none"> • Employees are paid for time which they did not work. • Employees are paid for time which was unnecessary or unauthorized.
<p>Employees' time and attendance data are properly processed and documented and accurately coded for account distribution.</p>	<ul style="list-style-type: none"> • Employees are paid for time which they were absent from work. • Errors in coding of accounting distribution for payroll costs.
<p>Computations for gross pay, deductions and net pay are accurate and based on authorized time and rates; the recording and summarization of payments to be made and cost to be distributed are accurate and agree with established account classifications.</p>	<ul style="list-style-type: none"> • Employee compensation and payroll deductions are computed erroneously. • Payroll and related costs are not distributed in accordance with established account classification. • Reimbursable payroll costs are not recovered under grant or shared cost programs. • Amounts paid at rates different than those authorized.

<p>Payments for employee compensation and benefits are made to or on behalf of only bona fide employees for services performed as authorized.</p>	<ul style="list-style-type: none"> • Payments made to unauthorized individuals. • Employees paid for unauthorized benefits.
<p>Employee compensation and benefit costs are properly accumulated, classified and summarized in the accounts.</p>	<ul style="list-style-type: none"> • The accounting distribution of payroll and related costs are classified improperly. • Accrued liabilities or disclosures for employee benefits are misstated.

Office of the State Controller
 Self-Assessment of Internal Controls
Human Resources Cycle
 Control Policies and Procedures

Agency _____

Year-End _____

Bolded questions identify critical controls. A critical control is a control that will prevent or detect an error in the event that all other controls fail.

A. Control Activities / Information and Communication:

Yes No N/A

- | | | | |
|-----|-----|-----|---|
| ___ | ___ | ___ | 1. Is there a formal organizational chart defining the responsibilities of processing, recording, approval and distribution of payroll and of personnel activities? |
| ___ | ___ | ___ | 2. Are agency personnel policies (those not established by the Office of State Personnel) in writing? |
| ___ | ___ | ___ | 3. Does each supervisor or manager have a copy or access to a copy of the policies and procedures manual? |
| ___ | ___ | ___ | 4. Do all supervisors and managers have at least a working knowledge of the State's personnel policies and procedures? |
| ___ | ___ | ___ | 5. Is nepotism or conflict of interest in employment prohibited? |
| ___ | ___ | ___ | 6. Are personnel files maintained for all employees? |
| ___ | ___ | ___ | 7. Is access to payroll/personnel files limited to authorized individuals? |
| ___ | ___ | ___ | 8. Are approved notices of additions, separations, and changes in salaries, wages, and deductions reported to the payroll processing section according to the payroll scheduled cut-off date? |
| ___ | ___ | ___ | 9. Are terminated employees interviewed as a physical check on departures and as a final review of the termination settlement to ensure that all keys, equipment, credit cards, etc. are returned? |
| ___ | ___ | ___ | 10. Are completed payroll transmittals reviewed and approved by a responsible official before check processing? |
| ___ | ___ | ___ | 11. Are payroll registers reconciled to the payroll accounts in the general ledger by a knowledgeable person not otherwise involved in payroll processing? |

12. Are individual employee time and attendance records:

- ___ ___ ___ a. **Prepared and signed by each employee for each pay period?**
- ___ ___ ___ b. **Sufficiently detailed to show time charged properly?**
- ___ ___ ___ c. **Reviewed and signed by each employee's supervisor?**
- ___ ___ ___ d. **Reconciled with centralized time and attendance records?**

13. Are the following duties performed by different people:

- ___ ___ ___ a. Processing personnel action forms and processing payrolls?
- ___ ___ ___ b. Supervising and timekeeping, payroll processing, disbursing, and making general ledger entries?
- ___ ___ ___ c. Personnel distribution (if applicable) and:
 - ___ ___ ___ 1) Hiring and firing employees?
 - ___ ___ ___ 2) Approving time reports?
 - ___ ___ ___ 3) Payroll preparation?
- ___ ___ ___ d. Recording payroll in the general ledger and the payroll processing function?

14. Are hours worked, overtime hours, compensatory time, and other special benefits (on-call, shift premium) reviewed and approved by the employee's supervisor?

___ ___ ___ 15. Is a policy established concerning overdrawn vacation or sick leave?

___ ___ ___ 16. Are vacation and sick leave approved by supervisors?

___ ___ ___ 17. Are appropriate time records maintained for all leave?

___ ___ ___ 18. Is overdrawn vacation or sick leave deducted when calculating final compensation upon termination?

19. Are individual employee leave records reconciled, at least annually, to appropriate records maintained for accumulated employee benefits (vacation, sick leave, etc.)?

B. Monitoring:

___ ___ ___ 20. **Are comparisons of gross pay current to prior period payrolls reviewed for reasonableness by a knowledgeable person not otherwise involved in payroll processing?**

___ ___ ___ 21. Are unclaimed payroll checks returned to a custodian independent of the payroll department?

- ___ ___ ___ 22. Are background checks performed on individuals hired for sensitive positions?
- ___ ___ ___ 23. Is information on employment applications verified and are references contacted?
- ___ ___ ___ 24. Are all employees given a performance evaluation?
- ___ ___ ___ 25. Does the agency have separate payroll and personnel offices?