

Office of the State Controller
Self-Assessment of Internal Controls

Human Resources Cycle

Objectives and Risks

Agency _____

Year-End _____

Objectives

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.

Employees' time and attendance data are properly reviewed and approved.

Employees' time and attendance data are properly processed and documented and accurately coded for account distribution.

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.

Risks

- 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.

- Employees are paid for time which they did not work.
- Employees are paid for time which was unnecessary or unauthorized.

- Employees are paid for time which they were absent from work.
- Coding of accounting distribution for payroll costs in error.

- 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.

Payments for employee compensation and benefits are made to or on behalf of only bona fide employees for services performed as authorized.

Employee compensation and benefit costs are properly accumulated, classified and summarized in the accounts.

- Payments made to unauthorized individuals.
- Employees paid for unauthorized benefits.
- 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 _____

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. Are overtime wages or compensatory time adequately controlled? |
| ___ | ___ | ___ | 4. Is a policy established concerning overdrawn vacation or sick leave? |
| ___ | ___ | ___ | 5. Are personnel files maintained for all employees? |
| ___ | ___ | ___ | 6. Is nepotism or conflict of interest in employment prohibited? |
| ___ | ___ | ___ | 7. Are terminated employees interviewed as a physical check on departures and as a final review of the termination settlement? |
| ___ | ___ | ___ | 8. Are written termination notices required that properly document reasons for termination? |
| ___ | ___ | ___ | 9. Is overdrawn vacation or sick leave deducted when calculating final compensation upon termination? |
| ___ | ___ | ___ | 10. Are 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? |
| ___ | ___ | ___ | 11. Are appropriate time records maintained for all leave? |
| ___ | ___ | ___ | 12. Are individual employee leave records reconciled to appropriate records maintained for accumulated employee benefits (vacation, sick leave, etc.)? |

- ___ ___ ___ 13. Are payroll costs charged to grants (federal and state) accurate for employee salaries charged to more than one program (using time records for state agencies or budget estimates for colleges and universities)?
- ___ ___ ___ 14. 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?
- ___ ___ ___ 15. Are the following duties generally 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 the payroll in the general ledger and the payroll processing function?
- ___ ___ ___ 16. Do all supervisors and managers have at least a working knowledge of the State's personnel policies and procedures?
- ___ ___ ___ 17. Does each supervisor or manager have a copy or access to a copy of the policies and procedures manual?
- ___ ___ ___ 18. Are all changes in employment (additions and terminations), salary, wage rates, and payroll deductions properly authorized, approved and documented?
- ___ ___ ___ 19. Are vacation and sick leave approved by supervisors?
- ___ ___ ___ 20. Are hours worked, overtime hours, and other special benefits (on-call, shift premium) reviewed and approved by the employee's supervisor?
- ___ ___ ___ 21. Is compensatory time authorized, approved and recorded properly?
- ___ ___ ___ 22. Are completed payroll transmittals reviewed and approved by a responsible official before check processing?

- ___ ___ ___ 23. Are payroll registers reconciled to the payroll accounts in the general ledger?
- ___ ___ ___ 24. Is access to payroll/personnel files limited to authorized individuals?
- ___ ___ ___ 25. Are procedures in place to ensure that all keys, equipment, credit cards, etc. are returned by the terminating employee?

B. Monitoring:

- ___ ___ ___ 26. Are comparisons of gross pay of current to prior period payrolls reviewed for reasonableness by a knowledgeable person not otherwise involved in payroll processing?
- ___ ___ ___ 27. Is the distribution of dollars and (if applicable) hours of distribution subsystems balanced with the payroll registers, and reviewed by someone independent but knowledgeable of the payroll?
- ___ ___ ___ 28. Are unclaimed payroll checks returned to a custodian independent of the payroll department?
- ___ ___ ___ 29. Are background checks performed on individuals hired for sensitive positions?
- ___ ___ ___ 30. Is information on employment applications verified and are references contacted?
- ___ ___ ___ 31. Are all employees given a performance evaluation?
- ___ ___ ___ 32. Does the agency have separate payroll and personnel offices?