

**Meeting of the
Audit Subcommittee
Yolo County
October 28, 2021
10:00 a.m.**

NOTE: This meeting is being agendized to allow Board Members, staff and the public to participate in the meeting via teleconference, pursuant to Government Code section 54953(e)(1) (as amended by Assembly Bill 361), available at the following [link](#).

Teleconference Options to join Zoom meeting:

By PC: <https://yolocounty.zoom.us/j/96362406227>

Meeting ID: 963 6240 6227

or

By Phone: (408) 638-0968

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Government Code section 54953(e)(1) authorizes local legislative bodies to hold public meetings via teleconference and to make public meetings accessible telephonically or otherwise electronically to all members of the public. Members of the public are encouraged to observe and participate in the teleconference.

Further instructions on how to electronically participate and submit your public comments can be found in the PUBLIC PARTICIPATION note at the end of this agenda.

Meetings are accessible to people with disabilities. Individuals who need special assistance or a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the meeting materials, should contact Kim Eldredge, Audit Manager at least two (2) working days before the meeting at 530-666-8190 ext. 9204 or kim.eldredge@yolocounty.org.

If you have anything that you wish to be distributed to the Committee and included in the official record, please hand it to a member of County staff who will distribute the information to the members and other staff.

Committee Members:

| | |
|----------------------------|---------------------------------|
| Chair, Gary Sandy | (Board of Supervisors – Voting) |
| Angel Barajas | (Board of Supervisors - Voting) |
| Vice-Chair, Lawrence Raber | (Public Member – Voting) |

Yolo County Internal Audit Staff

| | |
|--------------------|---------------------------------|
| Kim Eldredge | (Audit Manager – Non-voting) |
| Noemy Mora-Beltran | (Senior Auditor – Non-voting) |
| Navpreet Ghuman | (Internal Auditor – Non-voting) |

10:00 am Call to Order

1. **Introductions.**
2. **Roll Call.**
3. **Approval of Agenda.**
4. **Follow-up of items from prior meeting (if any).**

5. **Public Comment**
This item is reserved for persons wishing to address the Committee on any related matters that are not otherwise on this meeting agenda. Public comments on matters listed on the agenda shall be heard at the time the matter is called. As with all public comment, members of the public who wish to address the Committee are customarily limited to 3 minutes per speaker, but an extension can be provided at the discretion of the chair.

CONSENT AGENDA

6. **Approve prior meeting minutes 7/29/2021.**
7. **Receive and file Summary of Audits 2021 for County, Non-County, JPAs, and Special Districts.**

REGULAR AGENDA

8. **Receive staff report on the Countywide Payroll Audit report (9/30/2021) (Mora-Beltran/Lara).**
9. **Receive staff report on the status of the Division of Internal Audit Activity of current engagements and the release of audit reports since last meeting; (Eldredge)**
10. **Approve meeting calendar for year 2022 and discuss teleconferencing requirements under the Brown Act**

| Proposed Dates | Proposed Time |
|-------------------------|-----------------------|
| January 27, 2022 | 10:00-11:30 am |
| April 28, 2022 | 10:00-11:30 am |
| July 28, 2022 | 10:00-11:30 am |
| October 27, 2022 | 10:00-11:30 am |

11. **Confirm next meeting date: TBD**
12. **Committee Member and Staff Announcements**
Action items and reports from members of the Committee, including announcements, questions to be referred to staff, future agenda items, and reports on meetings and information which would be of interest to the Committee or the public.
13. **Adjournment (Approximately 11:30 a.m.)**
Public records that relate to any item on the open session agenda for a regular meeting are available for public inspection. Those records that are distributed less than 72 hours prior to the meeting are available for public inspection at the same time they are distributed to all members, or a majority of the members of the Committee. Public records are available for

inspection by contacting Kim Eldredge, Audit Manager at 530-666-8190 ext. 9204 or kim.eldredge@yolocounty.org and meeting materials can be inspected at County offices located at 625 Court Street, Woodland, CA 95695; those interested in inspecting these materials are asked to call 530-666-8190 ext. 9204 to make arrangements. The documents are also available on the County of Yolo Financial Oversight Committee website located at: <https://www.yolocounty.org/general-government/general-government-departments/financial-services/financial-oversight-committee>.

PUBLIC PARTICIPATION **OPTIONS FOR PUBLIC COMMENT**

1. If you are joining the meeting via zoom and wish to make a comment on an item, press the “raise a hand” button. If you are joining the meeting by phone only, press *9 to indicate a desire to make comment. The chair will call you by name or phone number when it is your turn to comment. Speakers will be limited to 3:00 minutes. “Note: If you are joining by zoom and phone, still use the zoom raise a hand button as *9 will not work.
2. If you choose not to observe the Audit Subcommittee meeting but wish to make a comment on a specific agenda item, please submit your comment via email by 5:00 p.m. on the Monday prior to the Committee meeting. Please submit your comment to Kim Eldredge, Audit Manager at kim.eldredge@yolocounty.org. Your comment will be placed into the record at the Committee meeting.
3. If you are watching/listening to the live stream of the Committee meeting and wish to make either a general public comment or to comment on a specific agenda item as it is being heard, you may also submit your comment, limited to 250 words or less, to the Kim Eldredge, Audit Manager at kim.eldredge@yolocounty.org. Every effort will be made to read your comment into the record, but some comments may not be read due to time limitations. Comments received after an agenda item will be made part of the record if received prior to the end of the meeting.

YOLO COUNTY AUDIT COMMITTEE

MINUTES OF MEETING July 29, 2021

Note: This meeting was held via teleconference, pursuant to the Governor's Executive Order N-29-20 (March 17, 2020).

Members present on the call: Gary Sandy (Chair - Supervisor) and Larry Raber (Public Member).

Members excused: Angel Barajas (Supervisor)

Others present on the call: Kim Eldredge, Noemy Mora-Beltran, and Navpreet Ghuman (Internal Audit) and Ryan Pistoichini, Procurement Manager.

Moderator: Kim Eldredge

Recorded by:

- 1) **Call to order.** Gary Sandy called the meeting to order at 10:00 AM with Larry Raber in attendance and Angel Barajas absent. Quorum was formed.
- 2) **Introductions.** Members and Internal Audit above were on the call.
- 3) **Approval of agenda.** The agenda was reviewed and approved; agenda adopted (Raber/Sandy).
- 4) **Follow-up of items from 4/29/2020 meeting.** Kim Eldredge reported that no follow-up items were noted.
- 5) **Public comment.** Kim Eldredge reported that no public comments were received for the record.
- 6) **Approval of the 4/29/2021 meeting minutes.** The meeting minutes were approved. (Raber/Sandy).
- 7) **Receive staff report on the Purchase Card Continuous Auditing report (7/21/2021); (Mora-Beltran/Pistoichini).**
Noemy Mora-Beltran provided a staff report on the audit recommendations and management response. Ryan Pistoichini, Procurement Manager, provided an explanation on items purchased within the review period and improvements made thus far with the purchase card program with increased training and enforcement of violations per County Policy.
- 8) **Receive staff report on the status of the Division of Internal Audit Activity of current engagements and the release of audit reports since last meeting; (Eldredge)**
Kim Eldredge provided a status of current engagements: Payroll Audit-Carry Forward, Whistleblower project update, and Special Project-YCTD additional review. Larry requested that the status report include a column for high/med/low and reason for priority to give context on which projects are rated with high risk.
- 9) **Receive staff report on the Proposed Audit Plan FY21/22; (Eldredge).**
Kim Eldredge discussed the proposed audit plan in detail. The estimated budget hours included 3 FTEs with the limited-term auditor's salary and benefits moved to professional services to help the division get audits completed timelier. The audit plan also included three projects planned for

outsourcing (Network and Web Application Penetration Tests, Access Review Audit, Fleet Audit, and CW Risk Assessment). Supervisor Sandy requested a follow-up on the Sheriff's Report for the Inmate Welfare Fund.

- 10) **Approve the Proposed Audit Plan FY21/22 with recommended changes; (Eldredge).**
Proposed Audit Plan FY21/22 was approved. (Raber/Sandy)
- 11) **Confirm next meeting date.** The next meeting is scheduled for October 28, at 10:00-11:30 a.m.
- 12) **Committee Member and Staff Announcements.** There were no committee member and staff announcements.
- 13) **Adjournment.** Meeting adjourned at 11:21 a.m.

County of Yolo
Summary of Audit Reports – County
Received During Fiscal Year Ending - June 30, 2021

| | Audit Report Title | Audit Firm | Audit Period | Results and Findings | Date Issued |
|----|---|--|-----------------------|--|--------------------|
| 1 | Community Services - Environmental Health - Local Primacy Agency Annual Evaluation | State Water Resources Control Board | FY 2019-2020 | No Exceptions | 12/22/2020 |
| 2 | Community Services - Transportation Development Act Fund Transit Purposes - Financial Statements Audit | Richard & Company LLP Certified Public Accountants | 6/30/2019 & 6/30/2020 | Unmodified | 12/18/2020 |
| 3 | Community Services - Transportation Development Act Fund Non-Transit Purposes - Financial Statements Audit | Richard & Company LLP Certified Public Accountants | 6/30/2019 & 6/30/2020 | Unmodified | 12/11/2020 |
| 4 | Community Services - Public Works Department - Annual Road Report | State Controller's Office | 2020 | Unmodified | 12/2/2020 |
| 5 | Community Services - Environmental Health - Final Evaluation Results of the Yolo County Environmental Health Division as Local Enforcement Agency (LEA) for Yolo County | Department of Resources Recycling and Recovery | 5/12/2015-5/8/2019 | Implements a successful program that meets most of its responsibilities | 3/9/2020 |
| 6 | Yolo County Single Audit Report | Lance, Soll & Lunghard (LSL) | FY 2019-2020 | Finding 1: Eligible Participants Listing Significant Deficiency/ Internal Control finding | 12/8/2020 |
| 7 | Treasury Cash Count QE 9/30/2020 | Division of Internal Audit | QE 9/30/2020 | No Exceptions | 12/8/2020 |
| 8 | Treasury Cash Count QE 12/31/2020 | Division of Internal Audit | QE 12/31/2020 | No Exceptions | 1/20/2021 |
| 9 | Treasury Cash Count QE 3/31/2021 | Division of Internal Audit | QE 3/31/2021 | No Exceptions | 4/20/2021 |
| 10 | Treasury Cash Count QE 6/30/2021 | Division of Internal Audit | QE 6/30/2021 | No Exceptions | 8/4/2021 |
| 11 | Yolo County Treasury Review | LSL CPAs and Advisors | QE 6/30/2020 | Findings 2: Reconciliations of Investment Summary Reports not done in a timely manner. Variances not resolved | 2/2/2021 |
| 12 | Yolo County Treasury Review | LSL CPAs and Advisors | QE 9/30/2020 | Finding 1: Variances not resolved | 2/2/2021 |
| 13 | Yolo County Treasury Review | LSL CPAs and Advisors | QE 12/31/2020 | Findings 2: Reconciliations of Investment Summary Reports not done in a timely manner. Variances not resolved | 5/4/2021 |
| 14 | Purchase Card Continuous Audit | Division of Internal Audit | 7/1/2019 to 6/30/2020 | Findings 7: Lack of supporting documentation (original or supporting receipts); description of business purpose not identified; goods not verified when received; program eligibility and department's policy and procedures for client services needs improvement; purchase card statements not approved by an authorized Approving Official; split transactions; and purchase card used for unauthorized purchases | 2/3/2021 |
| 15 | Countywide Telecommuting Audit | Division of Internal Audit | 3/1/2020 to 9/30/2020 | Findings 7: telecommuting agreements not complete, telecommuting policy needs to be updated, designated home office space lacks proper ergonomics and safety requirements, performance evaluation rating undetermined, productivity not monitored adequately, pre-approval of overtime not documented, proper equipment not available for all employees when telecommuting | 2/4/2021 |

County of Yolo
 Summary of Audit Reports - Joint Power Agencies and Other Entities
 Received During Fiscal Year Ending - June 30, 2021

| | Audit Report Title | Audit Firm | Audit Period | Results and Findings | Date Issued |
|-----------------------|--|--|-----------------------|-----------------------------|--------------------|
| 1 | First 5 Yolo - Audit Report | Jensen Smith Certified Public Accountants | 6/30/2020 | Unmodified | 10/7/2020 |
| 2 | Sacramento Area Council of Governments - Annual Financial Report Audit Report of Financial Statemets | EideBailly CPAs & Business Advisors | 6/30/2020 | Unmodified | 12/2/2020 |
| 3 | Schools Insurance Authority -Financial Statements with Audit Report | Gilbet CPAs | 6/30/2019 & 6/30/2020 | Unmodified | 10/8/2020 |
| 4 | Valley Clean Energy Alliance - Financial Statements Audit Report | James Marta & Company LLP Certified Public Accountants | 6/30/2019 & 6/20/2020 | Unmodified | 9/15/2020 |
| 5 | Yolo County Havitiat/Natural Community Conservation Plan JPA - Financial Statements Audit Report | Maze & Associates | 6/30/2019 | Unmodified | 1/23/2020 |
| 6 | Yolo County Public Agency Risk Management Insurance Authority (YCPARMIA) - Financial Statements Audit Report | Crowe LLP | 6/30/2019 & 6/30/2020 | Unmodified | 10/28/2020 |
| 7 | Yolo Emergency Communications Agency - Financial Statements Audit | Richardson & Company LLP Certified Public Accountants | 6/30/2020 | Unmodified | 1/14/2021 |
| 8 | Yolo Subbasin Groundwater Agency - Audited Financial Statements and Compliance Report | Richardson & Company LLP Certified Public Accountants | 6/30/2020 | Unmodified | 9/14/2020 |
| 9 | Yolo County Housing - Financial Statements | Cohn Reznick LLP | 6/30/2020 | Unmodified | 2/16/2021 |
| 10 | Yolo County Housing - Single Audit | Cohn Reznick LLP | 6/30/2020 | Unmodified | 2/16/2021 |
| 11 | California Joint Powers Risk Management Authority - Comprehensive Annual Financial Report | Maze & Associates | 6/30/2020 | Unmodified | 1/11/2021 |
| Other Entities | | | | | |
| 12 | Schools Insurance Authority - Financial Statements | Gilbert and Associates | 6/30/2019 & 6/30/2020 | Unmodified | 10/8/2020 |
| 13 | Yolo County Transportation District - Financial Statements and Compliance Reports | Richardson & Company LLP Certified Public Accountants | 6/30/2019 & 6/30/2020 | Unmodified | 2/5/2020 |
| 14 | Yolo County Transportation District - Special Review of Payroll Transactions | Yolo County Division of Internal Audit | 1/1/2015 to 2/29/2020 | 5 Findings | 12/22/2020 |

County of Yolo
Summary of Audit Reports – Special Districts
Received During Fiscal Year Ending – June 30, 2021

| Audit Report Title | Audit Firm | Audit Period | Results and Findings | Date Issued |
|---|--|---|--|---|
| Davis Cemetery District- Financial Statements | Fechter & Company Certified Public Accountants | 6/30/2016 6/30/2017 6/30/2018 | Unmodified – No Findings | 6/27/2021 |
| Mary’s Cemetery District- Financial Statements | Lance, Soll & Lunghard, LLP | 6/30/2015 6/30/2016 6/30/2017 6/30/2018 6/30/2019 | Accountant’s Compilation Reports | 1/18/2021 3/16/2021 6/10/2021 6/10/2021 6/10/2021 |
| Reclamation District 999 – Financial Statements | Don Cole & Company Certified Public Accountant | 01/01/2019 to 12/31/2019 | Unmodified | 6/19/2020 |
| Reclamation District 150 – Financial Statements and Independent Auditor’s Report | Don Cole & Company Certified Public Accountant | 6/30/2020 | Unmodified – No Findings | 2/17/2021 |
| Springlake Fire Protection District- Financial Statements with Independent Auditor’s Report | Fechter & Company Certified Public Accountants | 6/30/2020 | Unmodified – No Findings | 6/11/2021 |
| Winters Cemetery District – Financial Statements and Independent Auditor’s Report | Nigro & Nigro – A Professional Accountancy Corporation | 6/30/2019 6/30/2020 | Unmodified – No Findings | 2/28/2021 |

Yolo County Division of Internal Audit

Countywide Payroll Audit

Department of Human Resources

Report Date
October 1, 2021

Audit Team

Navpreet Ghuman, Internal Auditor
Noemy Mora-Beltran, Senior Auditor
Kim Eldredge, Audit Manager

County of Yolo

Department of Financial Services
Division of Internal Audits
P.O. Box 1995
Woodland, CA 95776

Visit the Division's Website at

<http://www.yolocounty.org/general-government/general-government-departments/financial-services/internal-audit>

Audit No: 2020-0021



County of Yolo

www.yolocounty.org

CHAD RINDE, CPA
Chief Financial Officer

TOM HAYNES
Assistant Chief Financial Officer

DEPARTMENT OF FINANCIAL SERVICES

625 Court Street, Room 102
PO BOX 1268
WOODLAND, CA 95776
PHONE: (530) 666-8190
FAX: (530) 666-8215
DFS @ yolocounty.org

- Financial Strategy Leadership
- Budget & Financial Planning
- Treasury & Finance
- Tax & Fee Collection
- Financial Systems Oversight
- Accounting & Financial Reporting
- Internal Audit
- Procurement

Transmittal Letter

October 1, 2021

Alberto Lara, Director
Department of Human Resources
625 Court Street, Room 101
Woodland, CA 95695

Re: Internal Control Review of Countywide Payroll

Dear Mr. Lara:

The Division of Internal Audit performed an internal control review of Countywide Payroll to determine whether adequate internal control exists to provide reasonable assurance to county management that there is an acceptable level of operational accountability in the countywide payroll system. The review was selected based on areas of high risk of core functions within the payroll processes and controls. The audit was approved by the Audit Committee in the fiscal year 2019-20 audit plan. This report does not include a full system review of the county human resources and payroll system controls.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain sufficient, reliable, relevant, and useful information to provide reasonable assurance that our objective as described above is achieved. An internal audit includes the systematic analysis of information to evaluate and improve the effectiveness of internal controls. We believe this audit provides a reasonable basis for our conclusion.

Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial and non-financial information. Management is responsible for establishing and maintaining adequate internal controls. Our responsibility is to evaluate the internal controls.

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to payroll duties and system access, time recording, payroll policy and procedures, and amounts paid to third parties.

As required, in accordance with auditing standards and the County Audit Follow-up Policy, County Management has responded to each finding and recommendation contained in our report.

In regard to auditor's independence, the Internal Audit Division reports administratively to the Chief Financial Officer, but functionally to the Board of Supervisors.

We thank the County Employees, Department of Financial Services, Innovation and Technology Services Department and the Human Resources management and staff for their cooperation; their assistance contributed significantly to the successful completion of this audit.

Sincerely,



Kim Eldredge, CGAP
Internal Audit Manager

Distribution

Daniel Kim, Interim Yolo County Administrator
Chad Rinde CPA, Yolo County, Chief Financial Officer
Lee Gerney, Yolo County, Chief Technology Officer
Taro Echiburú, Director, Department of Community Services
Kevin Yarris, Director, General Services
Karen Larsen, Director, Health and Human Services Agency
Tom Lopez, Sheriff-Coroner-Public Administrator
Yolo County Audit Committee
Audit File Project No. 2020-0021

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Detailed Findings and Recommendations

Background

PAYROLL SYSTEM

On April 1, 2014, the County entered into an agreement with Infor Public Sector, Inc. for the purchase and implementation of the Infor Enterprise Resource Planning (ERP) software. The ERP includes systems for Finance, Procurement, Payroll, Timekeeping, and Human Resources. The Human Resources/Payroll systems went live in March 2015, and the Finance/Procurement systems in November 2015. The ERP is managed by the Department of Financial Services, Human Resources and Innovation and Technology Services.

The Human Resources/Payroll system has four modules. They are:

1. Global Human Resources (GHR) for personnel transactions such as new hires, salary changes, and position changes.
2. Payroll including benefits, employee self-service, and leave balance management.
3. Workforce Management System for electronic timesheets, time, labor, time off requests, and assumption of leave balance management from the GHR module.
4. Talent Management for online performance evaluations and implementation of a competency-based Human Resources system.

On September 13, 2016, the Board of Supervisors approved the agreement with Kinsey & Kinsey, Inc. to provide an assessment of the GHR/Human Resources, Payroll, Finance, and Procurement to identify areas of improvement and the course of correction to align the ERP structure and operations with the needs of the County. The agreement term period was from August 1, 2016 to June 30, 2018. Services were extended to June 30, 2019 with a revised scope of work. Human Resources contracted with Axsium (certified Infor Partner) to provide support and maintenance for the Workforce Management System with a term period of March 1, 2020 to June 30, 2023.

PAYROLL PROCESS

Payroll is based on an 80-hour work pay period. Each Yolo County employee enters their working hours, track leave balances, and requests time off in the Workforce Management System (WFM). WFM is a self-reporting tool that allows every Yolo County Employee to enter their own working hours, track vacation balances and request time off. Time for both weeks must be submitted for each biweekly pay period. Once time is entered and employees "Submit for Approval", an email is sent to the associated supervisor for timesheet approval. Only approved timesheets are sent to Payroll. Employees can edit previously submitted timesheets however, this is limited to the two-week period immediately prior to the current pay period. Retroactive adjustments for timesheets older than the prior pay period can only be done by the Supervisors or the HR Generalists.

Typically, on Friday of the non-payroll week, the Payroll division exports the time records from WFM to the Infor Smart Office Module (S3 system). The Innovation and Technology Services picks up the files from a central repository and uploads the files into the S3 system. Payroll runs various jobs in WFM checking for errors and uploads integrated system files into the S3 system. HR Generalists are notified that time records are available in the S3 system and instructed to verify time records. Payroll again runs various edit reports to identify missing records before deductions and benefits are applied. Additional pays for GHR are loaded and batch reports are generated. More reports are generated such as adjustments (repayments, SDI adjustments, and retirements) and overtime. Earnings are calculated, updated and payment files are created. Payroll period is closed. Payday is on Fridays for Yolo County employees of the payroll week and the process starts all over again.

ABSENCE MANAGEMENT PROGRAM

In August 2010, the County rolled out an absence management program (eSchedule) that was developed by the Information Technology department (Innovation Technology Services) to increase efficiencies with timekeeping and replace the approval of time in paper form. In March 2014, eSchedule was enhanced to standardize timekeeping in the departments and to maintain record of certified time worked and not worked by the employee with supervisor approval to comply with the County's policy on timekeeping. With the new ERP system, eSchedule was replaced by the Workforce Management System in June 2019.

Objective, Scope, and Methodology:

The objective of the review was to determine whether adequate internal control exists to provide reasonable assurance to county management that there is an acceptable level of operational accountability in the countywide payroll system. Operational accountability is achieved when the countywide payroll system operates effectively and efficiently, transactions are executed in accordance with laws, regulations and Board policies and reliable information is generated and reported.

The scope of our audit included the review of all core functions of the payroll process as it relates to paying employees for the period of July 1, 2018 to September 30, 2019 with emphasis on payroll internal controls through year 2021. We did not review detailed processes pertaining to Human Resources activities in position management and classifications. This report does not include a full system review of the county human resources and payroll system controls.

We performed the following procedures:

- Verified duties of all employees in the payroll department and ensured their payroll system access is restricted to the type of work they do.
- Compared regular and overtime wages with employees' timekeeping data, which should be approved by their respective supervisors or managers.
- Reviewed internal payroll policies relating to timekeeping.
- Reviewed amounts paid to third parties with the amounts posted in the county's financial statements. Ensured accurate coding.

A. Payroll Duties and System Access

Segregation of duties involves dividing responsibilities for handling payroll, as well as recording, authorizing, and approving transactions, among different people, so that no one person can control the payroll process from start to finish.

Access controls provide reasonable assurance that access to computer resources (data, equipment, and facilities) is reasonable and restricted to authorized individuals, including effective, protection of information system boundaries, identification and authentication mechanisms, authorization controls, protection of sensitive system resources, audit and monitoring capability, including incident handling, and physical security controls.

Audit Objective/Methodology

The auditors evaluated 5 core payroll functions to verify duties of the employees in the payroll department and ensure that their payroll system access is restricted to the type of work they do. The core functions are:

| Core Functions | | | | |
|---|--|---|--|--|
| Personnel Actions | Benefit Administration | Pay Employees | Payroll Maintenance | Pay Third Parties and Complete Accounting Tasks |
| <ul style="list-style-type: none"> ▪ Authorize and make changes to GHR for personnel actions received by departments ▪ Make changes to authorized position and salary resolutions approved by the Board of Supervisors ▪ Implement personnel/ payroll actions in GHR as agreed by labor unions | <ul style="list-style-type: none"> ▪ Enroll employees and dependents in county benefit programs ▪ Setup payroll actions in GHR ▪ Administer the Dental and Vision contract and pay bill ▪ Approve county disability applications and claims ▪ Handle CalPERS programs | <ul style="list-style-type: none"> ▪ Audit department timesheets ▪ Process retroactive pay ▪ Correct payroll errors ▪ Adjust state disability insurance payments ▪ Adjust worker's compensation payments ▪ Adjust county disability insurance payments ▪ Balance biweekly payroll ▪ Distribute payroll checks and advices ▪ Produce off-cycle payroll checks | <ul style="list-style-type: none"> ▪ Setup payroll actions in S3 ▪ Enter new employee demographics in retirement system ▪ Enter direct deposit request and submit file to bank ▪ Maintain payroll tables | <ul style="list-style-type: none"> ▪ Pay third parties (by warrant) ▪ Pay payroll taxes and child support payments (by on-line) ▪ Deposit checks for healthcare payments ▪ Prepare payroll journal entries ▪ Balance payroll trust accounts |

Finding #1: Segregation of duties

The auditors found that many of the core functions did not have proper segregation of duties. The assigned employee(s) prepares payroll files; transfers files into the payroll system; obtains additional pays and edits to time records; calculates earnings; creates payments; and closes out the payroll cycle without an additional review by an independent person. Duties that involve one person with control of all aspects of a transaction may cause errors to go unnoticed and provide an opportunity for fraudulent activity to occur.

Recommendation 1

We recommend that Human Resources review their procedures for processing payroll and ensure that an independent person verifies the accuracy of the information on all payroll actions entered in the payroll system. (Priority 2 – 120 days required corrective action)

Management Response 1

Human Resources: *The main reason for this is lack of personnel. We process payroll for over 1700 employees with a staff of 3 and since we are on a bi-weekly pay cycle, processing time is fast paced. Definitely a deficiency that needs to be addressed during the next budget cycle. Our staff does an outstanding job with the tools and time provided; I am concerned with errors more than I am concerned with anyone committing fraud, our employees are reliable and trustworthy.*

Finding #2: Payroll security

The auditors found that the payroll security classes for GHR and Payroll (S3 system) use a standard setup within the software “out of the box” (functionality of a software that works immediately without any configuration or modification). Roles were assigned to security classes without knowing the full access permissions within each security class, thus potentially posing a segregation of duties issue with each user assignment. All payroll staff and the HR Director have full access to many security classes within the payroll role “PRAllRole”. Security access and change control reports were not available for review therefore the auditors were unable to test access permissions. Recently, the County approved an ERP Analyst position within the Innovation Technology Services to support Human Resources with security, maintenance, and system operations. Without proper security management of security classes and roles, improper user access rights and permissions may result in information that is added, deleted, or changed without approval and authorization.

Recommendation 2

We recommend that Human Resources and the Innovation Technology Services determine what each security class has access to what information and if the access is appropriate for the job being performed. Further security and change controls reports should be available and actively monitored, logged, and reported appropriately.

(Priority 1 Issue – 60 days required corrective action)

Management Response 2

Innovation Technology Services: *Within 60 days, the ERP Team and Human Resources will determine exactly what level of access/permission is granted in S3 with the PRALLRole security role. Folks identified as not needed the "PRALLRole" will be removed immediately. Payroll staff will remain in the "PRALLRole" role so payroll processing does not experience any interruptions. Once permissions associated with the PRALLRole role are identified, HR must analyze their processes and determine if there is a need to separate duties and responsibilities for proper control within their payroll team. Once HR's needs are analyzed, identified changes will be implemented during the Infor migration project as there will not be work capacity to implement in the currently system while the migration project is underway. (Date of Anticipated Completion 1/1/2023)*

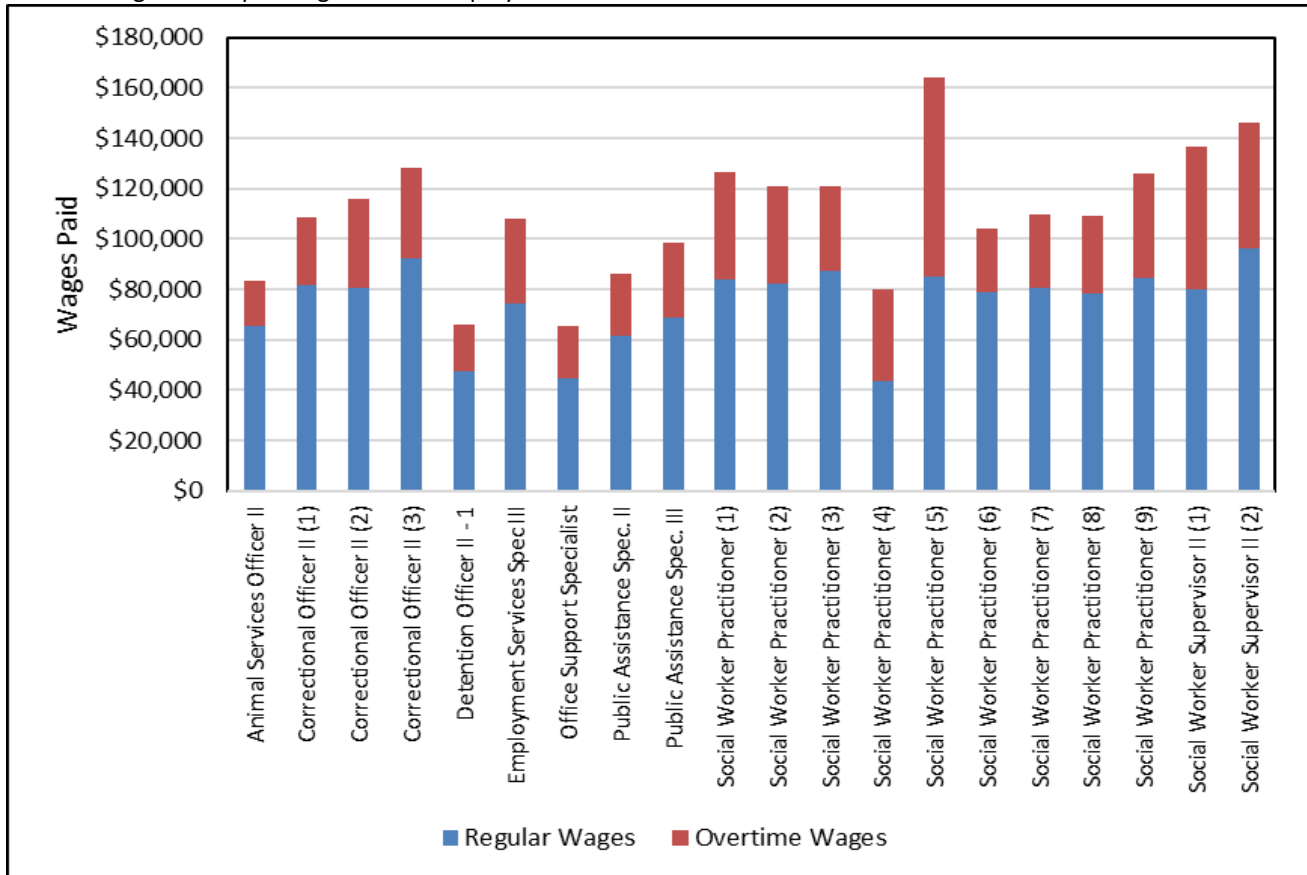
Human Resources: *I have read the response provided by CIO Lee Gerney and I concur with it.*

B. Time Recordkeeping

According to the General Accounting Office (GAO) Internal Controls Standards over time and attendance information should provide reasonable assurance that such information is (1) recorded completely, accurately, and as promptly as practicable, (2) relates to authorized individuals, (3) reflects actual work performed and leave taken or other absences during authorized work hours and periods, (4) sufficiently detailed to allow for verification, (5) complies with legal requirements, and (6) supported by recorded evidence of supervisory review and approval.

The Yolo County payroll is completed 26 times a year for 1,768 employees, producing on-average a \$5.2 million-dollar gross pay amount per pay period. During the audit period, the total amount of overtime and compensation time earned was 123,051 hours for \$4.2 million in earnings; illustrated below in Figure 1 and 2 are the Top 20 Highest Paid Employees and Overtime Hours accumulated.

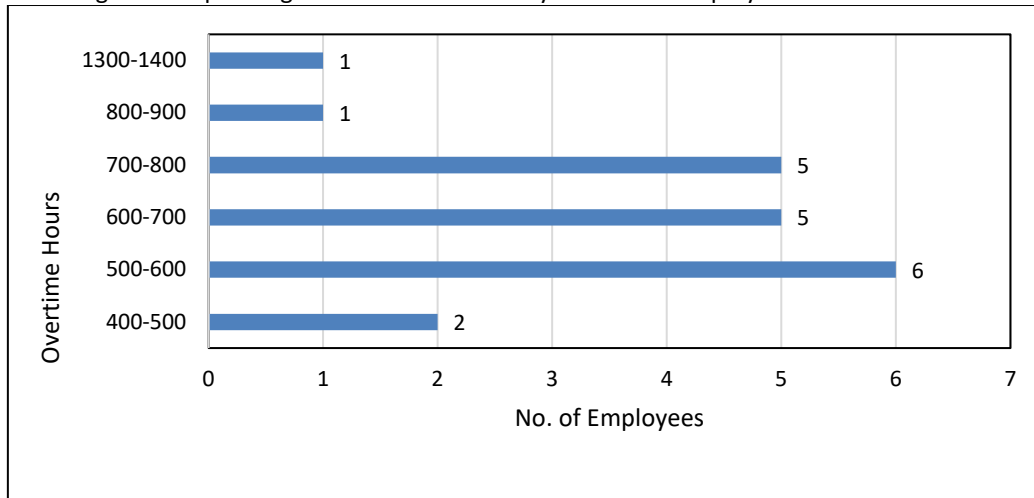
Figure 1: Top 20 Highest Paid Employees



Source: Auditor generated based on Infor S3 payroll data; amounts do not include employee health or retirement benefits.

The blue area in Figure 1 above, shows the employee's Regular pay, while the red area shows compensation related to Overtime pay. As represented, two employees were able to double their income as a result of the availability of overtime hours. All other employees ranged from \$18,000 to \$56,000 of overtime paid.

Figure 2: Top 20 Highest Overtime Hours by number of employees



Source: Auditor generated based on Infor S3 payroll data.

Figure 2 represents the number of employees in the range of total Overtime hours. Six employees ranged from 500 to 600 hours of overtime more than 25% of their Regular hours. With one employee working more than 53% of their Regular hours worked. The normal payroll hours worked in a fiscal year is 2,080 hours.

Audit Objective/Methodology

To determine that the employee time reported on the timesheet is approved and recorded in the payroll system correctly. The auditors selected a sample of 88 timesheets for employees with the largest number of Overtime and Compensatory Time during the audit period.

To accomplish our objective, the following procedures were performed:

- Agreed hours worked per employee timesheet to the payroll register to determine time was recorded correctly in the payroll system
- Verified that the employee timesheet has been signed by the employee and approved by the supervisor
- Verified that overtime hours have been approved and determine reason for overtime is adequate
- Verified that total hours worked agree to the employee time study report

Finding #3: Pre-approval of overtime and compensatory time

GAO Internal Control Standards: Approval for overtime should be obtained before the work has been performed when feasible and, when not feasible, as soon as possible after the work has been performed. The official most knowledgeable of the time worked should approve any overtime or compensatory time records. Care should be taken to ensure that the overtime was approved, preferably in advance, and that the amount and type of overtime (regular or irregular), credit hours, and compensatory time is accurately recorded and reported.

Fair Labor Standards Act: Unless specifically exempted, employees covered by the act are entitled to receive Overtime pay for hours above the standard 40-hour workweek at a rate not less than one and one-half (1-1/2) times their regular rates of pay.

Yolo County Labor Bargaining Units (Memorandum of Understanding or MOU): Hours worked on an employee's regularly scheduled day off shall be paid at the overtime rate provided the overtime was authorized in advance by the supervisor, or the employee was directed to work overtime.

The auditors requested supporting documentation for the 88 employee timesheets examined to determine if pre-approval of overtime existed. The following was noted:

- Overtime slips and or other supporting documentation not available for review
- Overtime and compensatory time earned on an employee's regularly scheduled day off not approved in advance as required by MOU
- Overtime and compensatory hours earned not limited to the number of hours worked within a pay period (*several employees were paid 60-80 overtime hours per pay period and additional salaries of \$3,000-\$5,100*)
- Approved work schedules not available for review (alternative work schedules)

Without pre-approval on file, the County may be liable for unauthorized work performed by the employee. In addition, not limiting the number of overtime/compensatory hours within a pay period may result in employee burnout or a reduction in employee engagement.

Recommendation 3

We recommend that Human Resources provide guidance to county management and employees on the proper documentation of pre-approval of overtime/compensatory time to comply with County Policy, FLSA standards, MOU provisions, and Best Practices. In addition, that Human Resources recommend county departments to monitor the number of overtime/compensatory hours earned on a pay period to avoid employee burnout. Furthermore, that Human Resources explore the system functionality within WFM to determine if an overtime time request form is available in the system to document approval before the time is worked.

(Priority 1 – 60 days required corrective action)

Management Response 3

Human Resources: *HR provides guidance to management on this subject. Overtime is managed strictly at the department level and actually limiting OT/Comp time would potentially trigger request for bargaining from the various EE associations in the County. We encourage staff to keep their health and wellness in mind, but we are not able to deny them the right to earn overtime if they are qualified for it, if it is available and if they sign up for it. Departments know pre-approval of overtime is a best practice and there will be instances where it is impossible to obtain pre-approval, such as in the event of an emergency requiring all hands on deck. Regarding the form in WFM, the system is not currently programmed to have an automated pre-approval form; this would require system reconfiguration. (Date of Anticipated Completion January 2022)*

Finding #4: Recording of overtime and compensatory time

Yolo County Labor Bargaining Units: *All hours assigned and actually worked (exclusive of hours worked on a holiday) above the standard 40-hour workweek by a non-exempt employee workweek or 80 hours in a 14-day work period for Correctional Officers shall be paid at the overtime rate (one and one-half (1-1/2) times) in accordance with the Fair Labor Standards Act (FLSA). Classifications designated as exempt under FLSA will be entitled to forty 40 hours of Administrative Leave.*

The auditors found 72 exceptions out of 88 timesheets tested (82%) of overtime/compensatory time recorded incorrectly. Overtime/compensatory hours were recorded on the employee's timesheet on a day-by-day basis and not until actual hours worked had exceeded the standard 40-hour workweek for regular employees or the 80 hours for Correctional Officers. Not recording overtime/compensatory time properly could lead to unauthorized overtime payments, improper crediting of compensatory time, and or amount/hours due to the employee.

Recommendation 4

We recommend that Human Resources provide training to county departments on the proper recording of overtime and compensatory time. In addition, that Human Resources monitor overtime and compensatory time on a regular basis to ensure that time is properly recorded in the system as in accordance with FLSA standards and MOU provisions. *Example: Review the overtime/compensatory time report for the pay period, select a sample and review detailed employee timesheets.* Furthermore, that Human Resources explore the WFM system functionality to restrict the entry of overtime/compensatory time until the threshold has been met or other MOU provisions are applied.

(Priority 1 – 60 days required corrective action)

Management Response 4

Human Resources: *HR has provided ample training and each department has an HR generalist that is well versed in this arena. When we reach proper staffing levels we will be happy to spot check records for accuracy. We are working with WFM consultants on various aspects of the system and could explore what you are recommending.*

Finding #5: Monitoring of standby pay

Yolo County Labor Bargaining Units: *Standby pay is a special compensation paid to County employees who are required to be available to respond immediately to calls for service. Employees that are designated by their supervisor as being on standby are compensated at a rate of \$3 per hour (\$3.50 per hour for Lieutenants and Captains) for all hours so assigned. Employees called to work are paid at the overtime rate for all time worked. Payment for simultaneous standby and overtime is not authorized; except for, Child Protective Service employees and Adult Protective Services employees under the General bargaining unit.*

Standby duty requires the employee so assigned:

- *To be ready to respond immediately to calls for service;*
- *To be reachable by telephone or other electronic device;*
- *To remain within a reasonable distance of the work location; and*
- *To refrain from activities which might impair ability to perform assigned duties.*

When an employee is assigned standby duty, the County shall inform the employee of the dates and hours of such assignment at least one (1) week in advance, except in unforeseen circumstances.

Best Practice: *Department Heads are responsible for determining the need for on-call availability and for assigning employees to standby status. The supervisor of the employee assigned to standby status shall maintain a roster of all qualified employees who may be required to be on-call. An equitable rotation policy shall be followed in requiring employees to be on-call.*

The auditors reviewed 25 timesheets that included standby pay from the Community Services, General Services, Health & Human Services Agency, Innovation Technology Services and Sheriff's departments and verified compliance of standby hours with the applicable bargaining units and approved department standby duty schedules. The following was noted:

| Audit Result | # of Exceptions |
|---|-----------------|
| Do not agree to schedules – Standby hours did not agree to approved standby duty schedules | 16 |
| No standby schedules – Standby schedules not available for review | 2 |
| Simultaneous payment of standby and overtime – Employee received standby pay and overtime simultaneously (not allowed under MOU). | 1 |
| Excessive standby hours – Employee was on standby duty for 13 consecutive days and earned a total of 178.75 hours during the pay period. | 1 |
| Excessive overtime hours – Employees were on standby duty between 8 to 16 hours per day and received overtime for the entire standby assignment. There was no supporting documentation of the actual times worked to determine overtime eligibility. | 6 |

Not monitoring standby hours properly may lead to unnecessary overtime and standby costs. Excessive overtime and standby hours may cause staff burnout. In addition, not having standby schedules on file or provided to the department payroll clerk may result in unauthorized standby hours recorded on payroll records.

Recommendation 5

- a. We recommend that Human Resources monitor the number of overtime and standby hours by employee in a calendar year to ensure excessive hours and staff burnout is avoided. Training should also be provided to supervisors on the provisions established within the MOUs for eligibility to receive standby pay and recording within WFM. (Priority 2 – 120 days required corrective action)
- b. We recommend that Health & Human Services Agency monitor the standby hours and reason for work assignment by employee to ensure that proper employee rotation is maintained. In addition, provide the department payroll clerk a copy of the standby duty schedule before processing payroll to ensure that the time and attendance records are accurately recorded. (Priority 1 – 60 days required corrective action)
- c. We recommend that Community Services, General Services, and Innovation Technology Services provide the department payroll clerk a copy of the standby duty schedule before processing payroll to ensure that the time and attendance records are accurately recorded. (Priority 1 – 60 days required corrective action)

Management Response 5

- a. *Human Resources: I concur that HR should always assist departments with training. However, monitoring of overtime and standby hours is done at the departmental level.*
- b. *Health & Human Services Agency: Management concurs that standby hours and reason for work assignment by employee should be monitored. However, we do not concur that this responsibility lies solely on the payroll clerk. The Health & Human Services Agency is bound by the countywide systems in place to process payroll; namely, the Infor version 10 and WFM software systems. County Human Resources has placed very tight timelines around the processing of payroll hours which do not allow for thorough review of all 600+ Agency employees between the time of supervisor approval and the due date to submit to County Human Resources. It is the Agency's recommendation that the responsibility for monitoring the standby hours and reason for work assignment be assigned to the supervisor and manager, as appropriate. Additionally, the Agency has begun regular discussions and trainings with supervisors to ensure that they are referencing the standby calendar when approving timesheets with standby (and related overtime) hours claimed. The Agency has started a quality improvement project around standby hours and has*

assigned Business Process Analyst resources to the project. The goal of the project is to provide clarifying guidance about how to correctly use, document, monitor, claim, process and track standby pay to ensure our procedures are in accordance with all applicable Labor Association Memorandums of Understanding and county policies. The product of this work will be applicable to existing systems and policies and may very well be superseded by policies and procedures that result from the upcoming countywide implementation of Infor version 11. (Date of Anticipated Completion 12/1/2021)

- c. Community Services: *The Environmental Health Accounting Technician responsible for payroll is provided a copy of the on-call schedule by the Hazardous Materials Unit Supervisor who oversees the on-call staff. This schedule is for four months at a time. It is sent a week to staff at least one week prior to it taking effect. The tech is also notified by on-call staff prior to any schedule changes. However, ultimately, the responsibility for making sure that staff are not paid for unauthorized standby hours lies with the Supervisor that oversees the on-call staff and approves their timesheets.*

General Services: *We were never advised to keep the past on-call schedules nor is that a county policy. If that is the best practice, we are happy to do so moving forward. As they are not official timesheets, they are validated each payroll to ensure the proper staff get credit and pay for those on-call hours.*

Innovation Technology Services: *Innovation Technology currently has an outlook calendar that tracks the standby duty schedule. We will provide access to our payroll clerk so time and attendance can be verified. (Date of Anticipated Completion 9/17/2021)*

Finding #6: Recording shift differential pay

Certain bargaining units require the County to pay additional shift differential earnings to employees who are scheduled to work other than a standard day time shift (normally hours between the hours of 6:00 PM and 6:00 AM). Employee's eligibility criteria are established by MOU. Shift differential rates are between \$0.75 to \$1.50 per hour depending on the bargaining unit and should only be paid for time worked. No employee shall receive shift differential for other time; such as, vacation, sick leave or holiday pay.

The auditors reviewed 15 timesheets that included shift differential pay from the Probation and Sheriff's departments and verified compliance of shift differential hours with the applicable MOUs. The auditors found that the shift differential hours were calculated manually by the employee or the HR Generalist and noted the following exceptions:

- One (1) timesheet where the employee received shift differential and was not entitled according to MOU
- Eight (8) timesheets where shift differential hours did not agree to the actual time worked

Not properly recording shift differential may lead to incorrect payments to employees.

Recommendation 6

We recommend that Human Resources explore WFM to determine if shift differential pay for eligible employees can be automatically applied in accordance with the bargaining agreement requirements. In addition, that training be provided to employees, supervisors and HR Generalists on the provisions established within the MOUs for calculating and entering shift differential hours.

(Priority 1 – 60 days required corrective action)

Management Response 6

Human Resources: *I agree with the training recommendation and WFM is not configured to automatically calculate shift differentials, this remains a manual process. (Date of Anticipated Completion January 2022)*

Finding #7: Prior period payroll adjustments

According to the GAO Internal Control Standards over time and attendance reporting, time and attendance information should be recorded as promptly as practicable. Employees should enter their hours within the pay period in which the hours are worked. Adjustments or corrections required because of changes after time and attendance information was approved should be processed promptly and be traceable to the pay period for which the correction applies. Changes should be approved by an authorizing official.

The auditors selected timesheets from various pay periods within the audit period and noted that the Health & Human Services Agency, Probation, and Sheriff’s departments had several prior period adjustments. Out of the 58 timesheets selected, 43 timesheets (49%) had prior period adjustments on future pay periods. Many of the adjustments were for overtime, compensatory time, shift differential, and standby pay. Per inquiry with county management and the HR Generalists, the departments must process their payroll early 3-4 days prior to the payroll due date, in order, to complete payroll entries within the Workforce Management System. Any time worked after the cut-off date is paid in the subsequent pay period. Timesheets are signed by the employee and/or supervisor 6-8 days prior to the pay period. According to one department manager, *“The County’s timekeeping system is not the best system for all the MOU nuances. Basic things like adding shift differential to a person working a regular shift is a manual process. It is not automatically entered when their schedule is entered; we have to add it. In fact, every additional pay code is a manual entry.”* Time not promptly recorded creates additional accounting for the department payroll staff, managing of employee time by the supervisor, and a potential financial burden on the employee.

Recommendation 7

We recommend that Human Resources review the payroll cut-off dates and determine if additional time is warranted, automate special pays within WFM, if applicable, and provide department training to limit the number of prior period adjustments. (Priority 2 – 120 days required corrective action)

Management Response 7

Human Resources: *Automation would take a system reconfiguration effort and we would need to budget for that in the next budget cycle. Regarding the recommendation for training, HR is in agreement and will work with the department HR generalists to accomplish the training needed.*

Finding #8: Workforce Management System and S3 module

The auditors met with payroll staff and an HR Generalist to review the timesheet processing in the WFM and S3 System and observe system controls. The results are listed below:

| Area Tested | System | Process | System Concern |
|----------------------------------|--------|--|---|
| 1. Time off requests | WFM | A Time Off Request Form is submitted by the employee to request future absences. Once approved by the supervisor, the requested time is applied to the employee’s timesheet. | Employee can modify timesheet after approval by supervisor. |
| 2. Timesheet Approval Supervisor | WFM | Employee enters time worked and leave taken in WFM, certifies that time is “true and accurate”, and submits their weekly timesheet to their | <ul style="list-style-type: none"> ▪ Supervisor can modify the employee timesheet without notification to the employee ▪ Weekly timesheet does not include a signature stamp to identify the employee who submits |

| Area Tested | System | Process | System Concern |
|---|-----------|---|--|
| | | supervisor for approval. Supervisor reviews and approves employee timesheet for export to payroll. | timesheet and the supervisor who approves the timesheet <ul style="list-style-type: none"> Audit log that includes all updates made to the original time record is not available |
| 3. Proxy and Delegates | WFM | The Proxy feature gives a user the ability to temporarily act as another user at the supervisor (or above) security level including HR Generalists. When users proxy other users, they essentially “become” that user for a specified period of time to perform transactions on that user’s behalf. The user has their full security privileges when proxying as another user. When the user proxies as someone else, their actions are recorded as being completed by the original user in the WFM system. | <ul style="list-style-type: none"> Proxy can be assigned to any employee at a supervisor security level, including the employee’s subordinate Proxy can edit and approve timesheets for any employee assigned to the original user’s team, including their own timesheet Proxy acting as HR Generalist can perform any payroll duties including the closing of payroll and editing timesheets Proxy acting as payroll administrator has administrative rights to the WFM system Audit log that includes all updates in proxy assignments is not available |
| 4. Edit Timesheets HR Generalist and Payroll Administrator | WFM | HR Generalists and payroll administrators review employee timesheets before export to payroll. | HR Generalists and payroll administrator can perform the following changes without notification to the employee or supervisor: <ul style="list-style-type: none"> Update the employee’s work schedule Approve timesheets for any employee within the department Modify pay codes and hours the employee’s approved timesheet Perform prior period adjustments |
| 5. Edit Payroll Records HR Generalist and Payroll Administrator | S3 System | At the end of the pay period, time records are transferred from WFM to the S3 system. HR Generalists and payroll administrators verify the accuracy of time records and add the accounting units to the individual timesheets under the PR35.2 Detail Time Entry module. | HR Generalists and payroll administrators can perform the following unauthorized changes to individual timesheets under the PR35.2 Detail Time Entry module: <ul style="list-style-type: none"> Edit hours and pay codes Add overtime hours for non-exempt employees Update pay rates Change employee’s position |

Without proper controls in place in the WFM and S3 System may result in information that is added, deleted, or changed without approval and authorization. If deemed too difficult or impractical to implement control in WFM and S3 System, then a compensating control should be put in place to prevent the system control noted.

Recommendation 8

We recommend that Human Resources review the system controls in WFM and the S3 System to ensure that the employee, supervisor, HR Generalist and payroll administrator have the proper security permissions for any changes, additions, or deletions of payroll information on the employee’s time record. In addition, that Human Resources explore the functionality in WFM to have the employee enter the accounting units on their individual timesheet instead of under the PR35.2 to avoid duplication of efforts and prevent unauthorized changes. (Priority 1 – 60 days required corrective action)

Management Response 8

Human Resources: As with prior recommendations, this would take a collaborative effort between HR/Technology and the vendor, possibly also the need to have a consultant assist with the review and suggested changes to the system. This will take several months to accomplish.

C. Payroll Policy and Procedures

A payroll policy describes the payroll process as it relates to administration of salaries, timekeeping, payroll schedules and payment methods. Procedures documented in a payroll policy handbook ensure a clear and defined approval process, efficient payroll activities, availability of forms and appropriate controls.

Audit Objective/Methodology

To determine if the County's Employee Timekeeping policy confers with standards of internal control and Best Practices. The auditors reviewed the County's policy against the General Accounting Office Internal Control Standards and other agencies payroll policies and procedures.

To accomplish our objective, the following procedures were performed:

- Reviewed the County's policy for recommended essential components within a payroll policy
- Verified that the payroll processes are documented

Finding #9: County policy on employee timekeeping

The auditors reviewed the County's Policy on Employee Timekeeping against GAO Internal Control Standards on controls over employee time and attendance reporting and found that the policy lacks several essential areas such as setting forth the responsibilities for employees, supervisors, HR Generalists, and payroll administrators in regards to recording, examining and approving time and attendance transactions.

GAO Internal Control Standards recommend that the time and attendance (T&A) policy include the following components:

Authorizing and Approving T&A Transactions

- Attestations, verifications, and approvals
- Authorization of employee's work schedule
- Approval of leave time
- Approval of T&A reports and related supporting documents (e.g., overtime pay authorizations)
- Adjustments or corrections of T&A after the end of the pay period
- Self-approval of T&A reports for high level management

Recording and Maintaining Complete and Accurate T&A Records

- Maintain T&A information and documentation (e.g. hours worked, leave taken, evidence of approval, records for absences, and other information agencies believe necessary)
- Record T&A data (supervisor's observations, time clocks or automated timekeeping devices)
- Maintain T&A supplementary records (work schedules, flexplace arrangements, overtime, etc.)
- Maintain T&A records for employees temporarily assigned to another agency
- Limit access to T&A information to authorized individuals
- Maintain accountability for alternative workplace arrangements (supervisor review of work output, occasional phone calls or visits to the employee)

Outdated and/or inconsistent policy and procedures may result in governing standards not being followed as intended and may allow for non-compliant matters to arise.

Recommendation 9

We recommend that Human Resources review and update the County Policy on Employee Timekeeping to ensure that it meets the established governing standards or recommended Best Practices. The updated policy and guidance should be disseminated to all county employees, supervisors, HR Generalists, and payroll administrators. (Priority 2 Issue – 120 days required corrective action)

Management Response 9

Human Resources: This policy was under the Auditor-Controller (Finance) not HR. Since Payroll now resides within HR, it is something we can take a look at and update. (Date of Anticipated Completion 1st quarter 2022)

Finding #10: Documentation of payroll processes

Human Resources has training guides for entering, modifying, approving, and exporting timesheets in WFM. Detailed procedures for handling other various payroll tasks are not available.

The State Controller's Office recommends that the following components be present in a payroll procedures manual:

- Attendance reporting
 - Miscellaneous payments (e.g. overtime, shift differentials, and special pays)
 - Deductions
 - Time certifications
- List not inclusive*

Not providing employees, supervisors, and HR Generalists with a comprehensive payroll procedures manual may result in procedures not being followed as approved and allows inconsistent procedures to be carried forth by departments.

Recommendation 10

We recommend that Human Resources consider developing a *Payroll Procedures Manual* that details payroll procedures and processes not provided elsewhere and coordinate instructions of various authorities on specific payroll subjects.

(Priority 3 Issue – 180 days required corrective action)

Management Response 10

Human Resources: Staffing levels will need to be looked at. The existing staff is unable to dedicate the needed time to developing a manual. An alternative is to hire a consultant to assist with this specific task, but HR did not budget for such service in the current budget cycle.

Finding #11: Record retention policy

According to the State Controller's Accounting Standards for Local Governments, all financial transactions and records are subject to audit and should be well documented to provide a complete audit trail. Records should be maintained and disposed of as required by applicable laws and regulations, with internal controls and transparency in mind. According to Government Code section 12236, the Secretary of State administers the Local Government Records Program, which provides the minimum guidelines for local government records maintenance and retention. Each agency may have additional specific guidelines for documentation and retention (e.g., grants, etc.). It is the responsibility of each agency to ensure that they are in compliance with any applicable requirements.

The County's retention schedule for payroll records is an outdated document that was approved by the Board in 1985. Code sections and retention requirements have changed since the approval of this document.

Outdated record retention schedule and policy may result in the destruction of documents needed for compliance with laws and regulations and audit purposes.

Recommendation 11

Department of Financial Services should review and update the County's policy on record retention to ensure that the policy is in accordance with applicable laws and regulations for financial and payroll records.
(Priority 3 Issue – 180 days required corrective action)

Management Response 11

Department of Financial Services: The Department of Financial Services will update the record retention schedule for financial documents and will incorporate input from the Human Resources department where financial records are payroll related in nature. We expect to be able to complete the updated of the record retention schedules by March of 2022. (Date of Anticipated Completion March 2022)

D. Amounts Paid to Third Parties

Payment of employee benefits are recorded in various payroll liability accounts. Reconciliation of the accounts should be completed for every pay period and no later than 30 days after fiscal month end close. These accounts should ideally have zero balances absent any timing differences.

Finding #12: Reconciliation of payroll liability accounts

The following accounts relate to the payment of employee benefits that were not reconciled on a regular basis. In many cases, it has been several years since the last reconciliation and missing data has resulted in unidentified balances. The auditors noted the following exceptions within the accounts below:

| Description | FY 2019 | FY 2020 | Balance as of 5/31/2021 |
|----------------------------------|--------------|--------------|-------------------------|
| Vision Care | (77,317.57) | (84,134.82) | (97,505.59) |
| Dental insurance | (37,180.81) | (311,255.39) | 187,840.99 |
| Health insurance | (319,432.17) | (262,201.52) | (230,168.10) |
| Deferred compensation | (192,149.52) | 309,915.32 | (65,772.02) |
| Deferred compensation 401 A Plan | 0.00 | (360,553.55) | 294,442.51 |

- County has overpaid both the dental and vision plans. Exceptions were found where terminated employees continued to receive benefits after leaving county employment. The auditors sampled the months of February and March 2021 and found that the County paid dental benefits for 3 employees that had been terminated between November 2016 and February 2020.
- Premium rates used for vision insurance do not agree to the rates billed by the vendor.
- For the Health insurance, county management has completed a preliminary review of payroll deductions versus PERS billing, but further research is required to reconcile the account.
- Deferred compensation balances do not match the amounts paid and the adjustments noted lack supporting documentation.

This is not an inclusive list of the unreconciled payroll liability accounts.

Without regular and timely reconciliations, errors may not be detected, differences not resolved timely, and the risk for fraud is increased.

Recommendation 12

We recommend that Human Resources reconcile all payroll liability accounts at least monthly, that documentation be maintained to support the account balances and that reconciliations be reviewed and approved by management. (Priority 1 – 60 days required corrective action)

Management Response 12

Human Resources: *This is something we will look at as a priority.*

E. Further Review Needed

CalPERS Contributions

Pursuant to CalPERS requirements, employers must pay careful attention when reporting special compensation. Some common mistakes when reporting special compensation include longevity pay, uniform allowance, temporary upgrade pay, and final settlement pay. Misreported special compensation can create financial hardships for members and administrative fees charged to the County. The auditors noted that one payroll staff handled the CalPERS contributions, established new members, and resolved payroll errors in the CalPERS system without an additional review by an independent person. We did not review the process for calculating CalPERS contributions and recommend a follow-up review to determine that CalPERS contributions are calculated correctly.

Health Benefit Calculation

Yolo County employees are eligible for the health insurance benefits through the CalPERS Health Benefit program. The employee's payroll deduction is the difference between the premium for the chosen health plan and the fixed county contributions as in accordance with the bargaining units. There are several rates that are applicable and a potential for error may occur. In addition, it was noted in this report that monthly reconciliations of the health bill are not performed. We recommend a follow-up review to determine that the employee's contribution share for health insurance is calculated correctly in accordance with applicable bargaining units.

Leave Balances

Eligibility requirements for leave accruals are based on bargaining units and county policy. We did not perform testing of leave balance eligibility, accruals, usage, and adjustments; therefore, a follow-up review is recommended to determine that leave balances are correctly recorded for employees.

Payroll Taxes

Employers are responsible for withholding payroll taxes from their employees and for paying the employer's share of these taxes. Taxes not properly calculated may result in penalties to the employer. We did not perform a review of payroll taxes and recommend a follow-up review to determine whether payroll taxes are properly calculated for the amounts paid to employees.

Accuracy of Employee Pay Rates

We did not perform a review of the amounts paid to employees and recommend a follow-up review to determine whether the amounts paid to employees are following bargaining units and approved salary resolutions.

Human Resources staffing of Payroll Function

To implement all audit recommendations within this report, it is recommended that a follow-up review be performed to determine if adequate staffing resources is available within the Human Resources Payroll Function.

F. Status of Prior Audit Recommendations

Summarized below is the current status of all audit recommendations reported in the Internal Control Review of the County Payroll System report dated February 14, 2011.

| | Title | Audit Recommendation | Status of Corrective Action |
|----|--|--|---|
| 1 | Underutilized functionality of the PeopleSoft application. | County to form a team to fully explore the functionality of the PeopleSoft payroll system and determine how it can better meet the payroll needs of the county. | Not applicable; The County purchased a new human resources and financial system (ERP Software System) in 2015. |
| 2 | Time & attendance policy and procedures | County to develop a uniform time and attendance policy and procedure to standardize timekeeping in the departments and to ensure that an adequate audit trail exists for authorizing time and prior period adjustments. | Not Implemented; Time & attendance is captured in the ERP System-Workforce Management. Employee Timekeeping Policy is 9+ years old and should be reviewed. {Repeat Finding} |
| 3 | Reassignment of accounting functions | Human Resources and Central Payroll to review their accounting tasks to determine whether they could be streamlined and re-assigned to one work unit. It is also recommended that all payroll adjusting journal entries and claims be approved by the Auditor-Controller General Accounting division. | Implemented |
| 4 | Distribution of payroll checks and advices | Central Payroll to mail all checks to home or designated addresses and establish a secured electronic folder where payroll clerks can extract a copy of their department payroll advices for the employee. In the long run the county should explore the self-service features of PeopleSoft that would allow employees to view online and/or print their own payroll advices. | Implemented; (available in new ERP System) |
| 5 | Segregate duties of payroll functions | Central Payroll to have another person verify the accuracy of the information on all payroll actions entered into the payroll system and approve all subsidiary reconciliations and work papers that are used in payroll calculations and reporting. | Not Implemented {Repeat Finding} |
| 6 | Contractual agreements and levies tracked outside payroll system | Central Payroll to consult with Information Technology to determine if the contract balance and goal amounts for levies and garnishments can be integrated within the PeopleSoft application. | Not applicable; The County purchased a new human resources and financial system (ERP Software System) in 2015. |
| 7 | Reconciling payroll trust accounts | Central Payroll to continue to use the ACL software to reconcile all payroll trust accounts at least monthly, that documentation be maintained to support the account balances and that reconciliations be reviewed and approved by management. | Not Implemented {Repeat Finding} |
| 8 | Calculation of State Disability adjustments | Central Payroll to obtain a copy of the State Disability wage computation prepared for the employee and automatically deduct the weekly amount against the employee's gross pay and leave balances. Central Payroll should also review their entire SDI procedure to determine if additional controls and efficiencies can be implemented. | Removed by auditor |
| 9 | Documentation of State Disability adjustments | Central Payroll to obtain a copy of the SDI check and an account history from SDI showing the final amount paid. The supporting documentation should be routed to the supervisor for review when adjusting employee pay and leave balances. | Removed by auditor |
| 10 | Bulletin board needed for payroll procedures and updates | Central Payroll to create and maintain a County bulletin board on the County intranet similar to Human Resources to provide answers to routine payroll related questions, inform customers of upcoming payroll and tax changes and revisions to payroll procedures. | Implemented – Only for employee self-service access (available in new ERP System) |
| 11 | Reconciling monthly dental insurance bill | Human Resources to reconcile the dental insurance bill monthly and automate their process similar to the health insurance bill reconciliation completed by Central Payroll using the software ACL. | Not Implemented {Repeat Finding} |
| 12 | Repeated data entry errors | Human Resources to institute a control to ensure the accuracy of the personnel changes entered into the payroll system before sending the personnel and payroll data to Central Payroll for further processing. | Implemented; corrected with new ERP System |

G. Priority Ranking Definitions

Auditors use their professional judgment to assign rankings to recommendations using the criteria and definitions listed below. The purpose of the rankings is to highlight the relative importance of some recommendations over others based on the likelihood of adverse impacts if a corrective action is not taken and the seriousness of the adverse impact that may result. Adverse impacts are situations that have or could potentially undermine or hinder the following:

- a. The quality of services department provides to the community;
- b. The accuracy and completeness of County books, records, or report;
- c. The safeguarding of County asset;
- d. The County's compliance with pertinent rules, regulations, or laws;
- e. The achievement of critical programmatic objectives or program outcomes; and/or,
- f. The cost-effective and efficient use of resources.

Priority 1 Issues

Priority 1 issues are control weaknesses or compliance lapses that are significant enough to warrant immediate corrective action. Priority 1 recommendations may result from weaknesses in the design or absence of an essential procedure or control, or when personnel fail to adhere to the procedure or control. These may be reoccurring or one-time lapses. Issues in this category may be situations that create actual or potential hindrances to the department's ability to provide quality services to the community, and/or present significant financial, reputational, business, compliance, or safety exposures. Priority 1 recommendations require management's immediate attention and corrective action within 60 days of report issuance.

Priority 2 Issues

Priority 2 issues are control weaknesses or compliance lapses that are of a serious nature and warrant prompt corrective action. Priority 2 recommendations may result from weaknesses in the design or absence of an essential procedure or control, or when personnel fail to adhere to the procedure or control. These may be reoccurring or one-time lapses. Issues in this category, if not corrected, typically present increasing exposure to financial losses and missed business objectives. Priority 2 recommendations require management's prompt attention and corrective action within 120 days of report issuance.

Priority 3 Issues

Priority 3 issues are the more common and routine control weaknesses or compliance lapses that warrant timely corrective action. Priority 3 recommendations may result from weaknesses in the design or absence of a procedure or control, or when personnel fail to adhere to the procedure or control. The issues, while less serious than a higher-level category, are nevertheless important to the integrity of the department's operations and must be corrected or more serious exposures could result. Departments must implement Priority 3 recommendations within 180 days of report issuance.

Yolo County
Division of Internal Audit
Audit Plan - Status of Projects
Fiscal Year 2021-2022

Item #9

| No. | Project No | Type | Name | Entity | Preliminary Audit Objective/Project Description | Priority | Hours | % Complete | Status | Report Issued | No. of Findings |
|-----|------------|--------------------------|--------------------------------------|------------------------------|--|--------------------------|-------|------------|--|-------------------------|-----------------|
| 1 | 2022-18 | Carry Forward FY20-21 | Accounts Payable Audit | Countywide | To assess internal controls over accounts payable to ensure invoicing/payment processes are properly reviewed and complete, valid, and accurate. Includes review of system controls and data analytics. | High | 410 | 0% | Planned for Dec-Feb | | |
| 2 | 2022-24 | Carry Forward FY20-21 | Yolo County Transit District | Special Project | Confidential Audit; Requested by District Board. | High | 60 | 99% | Waiting on Mgmt Responses | Draft Report 10/22/2021 | 7 |
| 3 | 2022-17 | Carry Forward FY20-21 | Purchase Card | Countywide-Cont Aud | To provide County Management with assurance that the purchase card program is in compliance with County's policies and industry best practices. <i>Continuous audit every six month period. Review period (July - Dec 2020)</i> | High | 130 | 100% | Completed | 7/21/2021 | 6 |
| 4 | 2022-23 | Carry Forward FY20-21 | Capital Project Audit | Countywide | To provide County Management with assurance that capital project management systems are in compliance with County's policies, industry best practices, and generally accepted project management standards. | High | 200 | 60% | Delayed due to conflicts with other audits | | |
| 5 | 2022-22 | Carry Forward FY20-21 | Payroll Audit | Countywide | To assess internal control over payroll processing to ensure payroll is accurate, authorized, reviewed, and duties are properly segregated. | High | 120 | 100% | Completed | 10/1/2021 | 12 |
| 6 | 2022-25 | Carry Forward FY20-21 | Cash-Department Audit | Department Sheriff | To assess internal control over cash receipts to ensure receipts are safeguarded, deposited, and reconciled with County records. | High | 172 | 95% | Waiting on Mgmt Responses | Draft Report 10/21/2021 | 9 |
| 7 | 2022-34 | New | Contracting and Procurement Audit | Countywide | The internal audit activity will work with the Procurement Manager on determining scope of audit. | TBD- Depends on scope | 220 | 0% | Planned for Mar-Apr | | |
| 8 | 2022-33 | New | Payroll Audit | Countywide | To be determined from outcome from Payroll Audit (Project No. 2022-22) | High | 120 | 0% | Planned for April | | |
| 9 | 2022-32 | New | Accounts Receivable-Department Audit | Department TBD | To assess internal control over accounts receivable to ensure receivable accounts are accurate, valid, properly approved, and recorded. | Med | 172 | 0% | Planned for March | | |
| 10 | 2022-31 | New | Accounts Receivable-Department Audit | Department TBD | To assess internal control over accounts receivable to ensure receivable accounts are accurate, valid, properly approved, and recorded. | Med | 172 | 0% | Planned for April | | |
| 11 | 2022-30 | New | Cash-Department Audit | Department HHSA | To assess internal control over cash receipts to ensure receipts are safeguarded, deposited, and reconciled with County records. | High | 172 | 0% | Planned for January | | |
| 12 | 2022-29 | New | Cash-Department Audit | Department District Attorney | To assess internal control over cash receipts to ensure receipts are safeguarded, deposited, and reconciled with County records. | High | 172 | 0% | Planned for February | | |

Yolo County
Division of Internal Audit
Audit Plan - Status of Projects
Fiscal Year 2021-2022

| No. | Project No | Type | Name | Entity | Preliminary Audit Objective/Project Description | Priority | Hours | % Complete | Status | Report Issued | No. of Findings |
|-----|--------------------|----------|---|-------------------------------|--|-----------------------|-------|------------|--|-------------------------|-----------------|
| 13 | 2022-28 | New | Cash-Department Audit | Department Clerk-Recorder | To assess internal control over cash receipts to ensure receipts are safeguarded, deposited, and reconciled with County records. | High | 172 | 0% | Planned for December | | |
| 14 | 2022-36 | New | Cell Phone Audit | Special Project-Countywide | To ensure compliance with County Policy & Procedures, Government Code, and Best Practices. | TBD- Depends on scope | 168 | 0% | Planned for Nov-Dec | | |
| 15 | 2022-27 | New | Purchase Card | Countywide-Cont Aud | To provide County Management with assurance that the purchase card program is in compliance with County's policies and industry best practices. <i>Continuous audit every six month period. Review period (Jan - June 2021)</i> | High | 120 | 80% | Detail review by Supervising Auditor | | |
| 16 | 2022-13 2022-14 | New | Treasury Cash Counts | Department DFS | To count cash in the county treasury (at least once in each quarter). <i>Mandated: Government Code 26920 (a)(1).</i> | High | 28 | 25% | Cash Count scheduled for December | 1st Qtr 9/30 - 10/12/21 | 0 |
| 17 | Outsource | New | Network and Web Application Penetration Tests | Department ITS | To address concerns raised on cybersecurity of the County Network. | High | 0 | | Checking with Lee Gerney | | |
| 18 | Outsource | New | Access Review Audit | Special Project-Countywide | To ensure compliance with County Policy & Procedures, Government Code, and Best Practices. | High | 0 | | Waiting on On-Call Audit Services contract | | |
| 19 | Outsource | New | Fleet Audit | Department Community Services | To ensure compliance with County Policy & Procedures, Government Code, and Best Practices. | High | 0 | | Waiting on On-Call Audit Services contract | | |
| 20 | 2022-26 | New | Whistleblower Hotline and Report of Fraud, Waste and Abuse Policy | Countywide | Implement policy; create incident form on website, and track incidents. Report to BOS/Audit Committee | Med | 100 | 20% | In-progress | N/A | N/A |
| 21 | Outsource | New | Countywide Risk Assessment | Internal Audit | Support Internal Audit with 3-year Risk Based Audit plan within Auditor Assistant tool | Med | 0 | 10% | Working with AA vendor | N/A | N/A |
| 22 | 2022-19 | New | Countywide Trainings | Audit Function | Countywide Fiscal Foundations Series: Internal Controls and audit tips-short video clips. Includes development, preparation and instruction. Restart discussion on CBO Workshop w/Procurement Mgr. | Low | 180 | | Planned for next calendar year | N/A | N/A |
| 23 | 2022-35 | New | Contingency Reserve | Special Project | Unassigned projects | TBD | 142 | 0% | TBD | TBD | TBD |
| 24 | 2022-15 | On-going | Audit Communication with Management and Staff | Countywide | Division weekly meetings, discussions on audit subject matters, and other communications. <i>Requirement - Standard 2200.</i> | N/A | 500 | 35% | | N/A | N/A |

Yolo County
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 Audit Plan - Status of Projects
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| No. | Project No | Type | Name | Entity | Preliminary Audit Objective/Project Description | Priority | Hours | % Complete | Status | Report Issued | No. of Findings |
|-----|------------|----------|---|----------------------|--|----------|-------|------------|--|---------------|-----------------|
| 25 | 2022-16 | On-going | Follow-up Audits and Testing of Correction Action Plans | Countywide | Monitor progress of the status of audit recommendations. Report to FOC/Audit Committee <i>Requirement - Standard 2500, 2600.</i> | High | 80 | 75% | Automate issues and email notifications Launch Oct/Nov | N/A | N/A |
| 26 | 2022-20 | On-going | Electronic workpapers | Audit Function | Implementation and training | High | 160 | 75% | Developing templates and learning the software | N/A | N/A |
| 27 | 2022-10 | On-going | Internal Audit General | Audit Function | Manage the internal audit activity, establish a risk-based audit plan; ensure that engagements are performed with proficiency and due professional care; develop and update policies and procedures. Various general duties-timekeeping, team-building activities (strength finders), etc. | Various | 700 | 35% | Working with DFS-Procurement & HHSa on subrecipient monitoring | N/A | N/A |
| 28 | 2022-12 | On-going | Continuing Professional Development | Audit Function | Continuing professional development-Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development. <i>Requirement - Standard 1230.</i> | High | 120 | 35% | Staff on-track with training plan | N/A | N/A |
| 29 | 2022-11 | On-going | Department of Financial Services General | Administration | Various meetings, employee evaluations, and other events not directly related to the division | N/A | 320 | 35% | | N/A | N/A |
| 30 | 2022-21 | On-going | Financial Oversight Committee | Administration | Support services for the Financial Oversight Committee | N/A | 160 | 35% | | N/A | N/A |
| 31 | | On-going | Estimated staff benefits & leave | Other-Administration | General provisions within the MOU | N/A | 1170 | N/A | N/A | N/A | N/A |

Total audit & non-audit hours and benefits & leave

6240