



PRINCE WILLIAM COUNTY, VIRGINIA

## Prince William County, Virginia

### Internal Audit of Payroll: Phase 1 – Payroll Base Budget Development

**Prepared By:**



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July 8, 2013

The Audit Committee of  
Prince William County, Virginia  
1 County Complex Court  
Prince William, Virginia 22192

Pursuant to the approved internal audit plan for FY2013/2014 for Prince William County, Virginia (“the County”), we hereby present the Internal Audit of Payroll: Phase 1 – Payroll Base Budget Development. We focused our audit on the beginning process for annual budget development; specifically the extraction of the existing compensation at a given point in time to which variables are applied to produce the basis for the following year’s budget. We will be presenting this report to the Board of County Supervisors of Prince William County at the next scheduled meeting on July 16, 2013. Our report is organized in the following sections:

<b>Executive Summary</b>	This provides an overview and summary of the issues related to our internal audit of Payroll Base Budget Development.
<b>Background</b>	This provides an overview of the Payroll Base Budget Development process. This section also includes a map illustrating the payroll base budget development process currently in place.
<b>Objectives and Approach</b>	The internal audit objectives and focus are expanded upon in this section as well as a review of the various phases of our approach.
<b>Issues Matrix</b>	This section gives a description of the items noted during our internal audit and recommended actions. This section includes a map of the process after recommended actions are taken.

We would like to thank the staff and all those involved in assisting the Internal Auditors in connection with the Internal Audit of Payroll: Phase 1 – Payroll Base Budget Development.

Respectfully Submitted,

**INTERNAL AUDITORS**

## **Executive Summary**

# Executive Summary

The objective of the Internal Audit of Payroll: Phase 1 – Payroll Base Budget Development was to assess whether the system of internal controls over compensation base budget development is adequate and appropriate, and make recommendations for improvement where considered necessary.

## Overview

Prince William County (“the County”) adopts an annual balanced budget, which is required of all government agencies; but also adopts a five-year plan, which in FY12 was identified by the Government Finance Officers Association as a best practice in budgeting. The County uses the five year plan as a mechanism to ensure that initiatives that are funded in one year can be sustained for at least five years under a forecasted revenue model. This is a proactive and forward thinking model not utilized by many government entities.

The most significant category of expenditures in the County’s budget, after transfers to the schools, is compensation and benefits. The trend of this expenditure item in dollars and as a percentage of the total budget for the last five fiscal years is shown below. Also noted is the trend in full-time equivalent (FTE) positions.

Summary Trend of Adopted General Fund Personnel Costs FY10 - FY14 (budgeted)					
	2010	2011	2012	2013	2014
Total General Fund Budget	\$ 845,270,906	\$ 844,032,399	\$ 890,151,651	\$ 914,084,122	\$ 962,566,044
County General Fund Budget (Excludes School Transfer)	\$ 437,437,201	\$ 438,556,770	\$ 464,371,477	\$ 468,776,443	\$ 491,738,554
Personal Services	\$ 182,269,608	\$ 184,448,488	\$ 190,859,038	\$ 196,057,363	\$ 208,455,973
Fringe Benefits	\$ 54,639,431	\$ 58,588,033	\$ 58,123,397	\$ 65,345,036	\$ 66,738,218
Total	\$ 236,909,039	\$ 243,036,521	\$ 248,982,435	\$ 261,402,399	\$ 275,194,191
Personal Services	41.7%	42.1%	41.1%	41.8%	42.4%
Fringe Benefits	12.5%	13.4%	12.5%	13.9%	13.6%
Total	54.2%	55.4%	53.6%	55.8%	56.0%
Full-Time Equivalents	3,570.03	3,600.96	3,645.43	3,714.37	4,171.60

Source: Office of Management & Budget

It should be noted that the FY14 budget includes the consolidation of the Parks & Recreation department, which includes the addition of 382.7 FTE positions, resulting in more than 12% increase in positions. Without that adjustment, the % change in FTE would have been 2%, with 56.0 of those remaining positions added to Public Safety.

## Timeline of Budget Development

The County’s fiscal year begins on July 1 and ends on June 30. The planning process for each annual budget cycle typically begins in late June or early July of the previous year. For example, development of the budget for FY14 (July 1, 2013 – June 30, 2014) began on June 27, 2012, approximately a full year prior to the start of the year being budgeted, and prior to the start of the upcoming fiscal year. That means that at any given time, at least 3 budget cycles are being monitored, reviewed or developed: the previous fiscal year (for analysis and audit purposes), the current fiscal year (for operational purposes), and the next fiscal year (for planning purposes).

## Process for Compensation Base Budget Development

One of the first steps necessary to develop a base budget for the upcoming fiscal planning process for compensation expenditures (salary and benefits) is the interface from the Human Resources Information System (HRIS) to the Performance Budget module of the County’s current financial management system (Performance). The data interfaced from HRIS is used by the Office of Management and Budget (OMB) as the basis for developing a salary and benefit base budget as well as supplemental compensation modeling for the new fiscal planning process.

# Executive Summary

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## **Process for Compensation Base Budget Development - continued**

A cross-functional effort between the OMB and the Department of Information Technology (DoIT) is required in order to perform the interface of HRIS to Performance. The interface is not automated, meaning that the systems do not “talk” to each other without intervention or assistance from staff. Since the implementation of the Performance system in 1999, this process has been facilitated by OMB staff consisting of the Budget Technical Manager and a Management and Budget Analyst II, and DoIT staff consisting of a Systems Development Manager (assigned to the General Government Group, which includes Human Resources, Office of Management and Budget, Finance as well as other agencies).

## **Fiscal Year 2014 Budget Error**

The budget process is complex. It is developed and built using different systems and ultimately manually managed utilizing a series of elaborate excel spreadsheets. The proposed budget is ‘outside’ the accounting system. The compensation data used to build the budget lags by one year. This requires a manual system interface and a ‘script’ to incorporate the Board approved variables to true-up the compensation for the base budget. It has multiple ‘moving parts’, with numerous parties involved and is built based on assumptions and estimates. Based on our review, the fiscal year 2014 budget was built on the correct payroll data pool from fiscal year 2012; however, due to human error one of the variables approved by the Board was not appropriately applied. This resulted in an understatement of the payroll budget collectively by approximately \$5 million; or half a percent (0.5%) of the general fund budget, which calculates to 1.8% of total compensation and benefits.

The OMB has controls in place including reconciling the budgeted FTE and performing a high level reasonableness test of payroll expenditures. In addition, department Directors review and develop their budgets in detail. These are good solid controls; however, the fluctuations in the expenditure were not to the degree that would raise a flag at the individual department level. The County has a number of budget practices that serve to reduce the overall payroll impact on the organization, including resetting all vacant positions to the starting salary of the grade and budgeted salary lapse for all departments with more than 20 employees. The implementation of the mandated State changes in the Virginia Retirement System also has reduced the cost of fringe benefits. Payroll fluctuates throughout the year, and year to year. Retirements and vacant positions have an impact on that budget line item. This creates constant movement in the balance. The merit and pay plan adjustment variables also create changes and, as noted in the background section, have been inconsistent since 2009.

During our internal audit, we did not identify any instances of fraud, waste or abuse. We have made recommendations to enhance the control environment of the process including proper segregation of duties and controls around validation and verification of data. These recommendations can be implemented by existing staff. Although the recommendations will improve the control environment around the process, the County will remain vulnerable with this manual process. The risk is inherent to the manual process. Even with the implementation of a new financial management system, the HRIS platform does not have the ability to interface automatically without manual intervention. The recommendations included within this report are intended to reduce the impact of human error by providing additional oversight and monitoring controls.

The following section provides a summary of the issues identified. We have assigned relative risk factors to each observation identified. This is the evaluation of the severity of the concern and the potential impact on the operations. There are many areas of risk to consider including financial, operational, and/or compliance as well as public perception or ‘brand’ risk when determining the relative risk rating. Items are rated as High, Moderate, or Low.

- *High Risk Items* are considered to be of immediate concern and could cause significant operational issues if not addressed in a timely manner.
- *Moderate Risk Items* may also cause operational issues and do not require immediate attention, but should be addressed as soon as possible.
- *Low Risk Items* could escalate into operational issues, but can be addressed through the normal course of conducting business.

# Executive Summary

The details of these observations are included within the Issues Matrix section of this report.

Issues	Risk Rating
<p><b>1. Change Management and Ownership of Interface</b></p> <p>Currently, DoIT owns, maintains and runs the critical script required for payroll base budget development process. This structure does not facilitate appropriate segregation of duties as expanded below.</p> <p><b>Quality Acceptance Testing</b></p> <p>Quality Assurance Testing (QAT) relates to having a second party test whether a program has been designed as requested. For IT applications, it generally means that the code is written by an IT programmer as intended and it is checked by another IT programmer or supervisor. During our review we noted QAT was not being performed for the HRIS interface process. The DoIT Systems Development Manager performs checks, but the functionality is not verified by another party.</p> <p><b>User Acceptance Testing</b></p> <p>User Acceptance Testing (UAT) relates to having the end user of a program test to determine that the program meets the requirements or specifications that were requested. It doesn't necessarily mean that the program does what the user wanted it to do, because their specs could have been flawed. We noted the UAT is not sufficiently performed. The OMB Budget Technical Manager performs a series of checks, but they are performed on data within the Performance system and not compared against HRIS data.</p> <p><b>Ownership</b></p> <p>The interface script is run annually by DoIT staff. The variables programmed into the script should be owned by OMB staff for appropriate segregation of duties. There has been undefined ownership of the checks performed over the data during the payroll base budget development process, resulting in disparate assumptions.</p> <p>Not defining and performing these checks increases the risk that a critical program or application may fail or not operate as intended.</p> <p>We recommend that the changes made to the HRIS interface prior to upload into Performance Budget be subjected to QAT and UAT each year to determine that the script used to apply the new variables is working properly, and that the new variables have been entered correctly. See also the recommendation at Issue #2 for the definition and documentation of roles and responsibilities.</p>	<p style="text-align: center; color: white; font-weight: bold;">High</p>

# Executive Summary

Issues	Risk Rating
<b>2. Defined Roles and Documented Procedures</b>	
<p>Our discussions revealed that each year the parties involved with the payroll base budget development, specifically the interface between HRIS and Performance, would ‘retrace their steps’ from the previous year. This critical process is not documented. The roles and responsibilities for the process by the multiple parties involved are not formalized. These factors, coupled together, increase the risk that new variables will not be included in the script that drives the interface. Each year there are variables to consider within the budget which could include merit increases and pay plan adjustments, as well as changes to benefits and other items.</p> <p>Without standardized procedures and forms to capture the process for ensuring proper roll-forward of the payroll budget, reporting errors could occur and not be detected in a reasonable time period or at all.</p> <p>We recommend the OMB utilize the process map developed during this audit and set up desktop procedures, including development of a checklist for payroll base budget development. There should be buy-in by all involved parties, facilitated by an annual kickoff/planning meeting and documentation of the expectations and roles.</p>	<b>High</b>
<b>3. Third-Party Verification</b>	
<p><b>Verification</b></p> <p>We noted there is no detailed verification of the interface to check the individual position payroll changes have been properly included prior to being updated into Performance Budget. Verification would help determine whether all payroll changes have been applied to the data.</p> <p><b>Validation</b></p> <p>We noted there is no comparison of the individual employee data compared to HRIS source documents and recalculated for accuracy. Validation of the data would help determine whether the calculations were accurately applied.</p> <p>Currently there are high level reasonableness tests performed by OMB staff on the FTE and salary dollar impacts at the department level for changes to payroll data during base budget modeling. Significant department variances are submitted to the department Directors for analysis and explanation. Staff currently performs these checks to measure accuracy of FTE count rather than salary, and also compares various aggregate salary data within Performance Budget. OMB staff does not have access to HRIS source data, which is appropriate.</p> <p>Without tracing back to source information, the risk of inaccurate calculation or incomplete information increases.</p> <p>We recommend the County create an Independent Verification &amp; Validation team that includes Payroll and Human Resources personnel. These employees already have appropriate access to individual pay data. They can perform salary recomputation and testing by using the flat text files that are extracted from HRIS and importing the data into excel. These tests should occur prior to upload into Performance Budget.</p>	<b>High</b>

## **Background**

# Background

## Overview

Prince William County (“the County”) adopts an annual balanced budget, which is required of all government agencies; but also adopts a five year plan, which in FY12 was identified by the Government Finance Officers Association as a best practice in budgeting. The County uses the five year plan as a mechanism to ensure that initiatives that are funded in one year can be sustained for at least five years under a forecasted revenue model. This is a proactive and forward thinking model not utilized by many government entities.

Building the expenditure side of the annual budget and the five year plan is a multi-step process that involves the entire organization. Prince William County uses a cross-functional approach known as “Budget Congress,” where all agencies are organized into four functional area teams that have representation on a consensus-based team. The Budget Congress includes 8 voting members and 4 alternates, and includes 60-100 representatives from various departments. The functional areas mirror the budget format - Community Development, General Government, Human Services and Public Safety. Convened annually, the Congress recommends both reductions and additions to agency budgets, using the criteria adopted for that given year.

The most significant category of expenditures in the County’s budget, after transfers to the schools, is compensation and benefits. The trend of this expenditure item in dollars and as a percentage of the total budget for the last five fiscal years is shown below. Also noted is the trend in full-time equivalent (FTE) positions.

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Source: Office of Management & Budget

It should be noted that the FY14 budget includes the consolidation of the Parks & Recreation department, which includes the addition of 382.7 FTE positions, resulting in more than 12% increase in positions. Without that adjustment, the % change in FTE would have been 2%, with 56.0 of those remaining positions added to Public Safety.

The County’s currently adopted five-year budget plan includes pay plan adjustments and merit increases in alternating years, as follows:

	FY14	FY15	FY16	FY17	FY18
Merit	0.0%	3.0%	0.0%	3.0%	0.0%
Pay Plan	2.0%	0.0%	2.0%	0.0%	2.0%

# Background

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## Overview - continued

The County's previous five-year budget plan included pay plan adjustments and merit increases, as follows:

	FY09	FY10	FY11	FY12	FY13
Merit	3.0%	0.0%	0.0%	0.0%	3.0%
Pay Plan	0.0%	0.0%	0.0%	2.0%	0.0%

## Timeline of Budget Development

The County's fiscal year begins on July 1 and ends on June 30. The planning process for each annual budget cycle typically begins in late June or early July of the previous year. For example, development of the budget for FY14 (July 1, 2013 – June 30, 2014) began on June 27, 2012, approximately a full year prior to the start of the year being budgeted, and prior to the start of the upcoming fiscal year. That means that at any given time, at least 3 budget cycles are being monitored, reviewed or developed: the previous fiscal year (for analysis and audit purposes), the current fiscal year (for operational purposes), and the next fiscal year (for planning purposes).

Budget Congress first identifies savings from efficiencies and then identifies those items that must be incorporated into the budget, either because the Board has committed to them, or they are necessary to maintain current service levels. These recommended changes are incorporated into the five year plan and compared to the revenue side of the equation. If additional reductions are required, Budget Congress goes back to the table to identify cuts. If there are excess revenues, additional services and/or service level improvements may be recommended, but only if the additions can be sustained for at least five years. When that is not the case, any surplus revenue may be recommended for the revenue stabilization reserve. Budget Congress' recommendations are forwarded to the County Executive who makes the final decisions regarding the proposed annual budget and the five year plan.

The value of Budget Congress is the cross-disciplinary review of recommended reductions and additions, allowing unintended consequences to be identified early on. Discussions of proposed reductions and additions highlight the interrelatedness of activities and results across agencies. Since the creation of Budget Congress in 2006, agencies have consistently reported increased knowledge and appreciation of the work of others in the organization, and a greater sense of cooperation and coordination. The budget process is no longer viewed as having agency winners and losers; it is a means of appropriately allocating resources toward common goals and objectives.

## Process for Compensation Base Budget Development

One of the first steps necessary to develop a base budget for the upcoming fiscal planning process for compensation expenditures (salary and benefits) is the interface from the Human Resources Information System (HRIS) to the Performance Budget module of the County's current financial management system (Performance). The data interfaced from HRIS is used by the Office of Management and Budget (OMB) as the basis for developing a salary and benefit base budget as well as supplemental compensation modeling for the new fiscal planning process. Compensation modeling for the proposed budget is performed in excel spreadsheets based upon the data interfaced from HRIS.

A cross-functional effort between the OMB and the Department of Information Technology (DoIT) is required in order to perform the interface of HRIS to Performance. The interface is not automated, meaning that the systems do not "talk" to each other without intervention or assistance from staff. Since the implementation of the Performance system in 1999, this process has been facilitated by OMB staff consisting of the Budget Technical Manager and a Management and Budget Analyst II, and IT staff consisting of a Systems Development Manager (assigned to the General Government Group, which includes Human Resources, Office of Management and Budget, Finance as well as other agencies).

## Background

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### **Process for Compensation Base Budget Development – continued**

The interface begins with a data capture from HRIS, to which adjustment variables are applied before being uploaded into Performance Budget for the modeling process to begin. It is important to note that the data extracted from HRIS is modified for approved compensation changes before being uploaded into Performance.

Pay plan adjustments are able to be made in HRIS prior to the extraction because they are effective as of the same date (July 1) for each employee. Merit increases cannot be made in HRIS because the changes are effective on either 1) each employee's anniversary date, or 2) on a department or division evaluation focal date, and HRIS cannot forecast this change as of a given date for budgeting purposes. Therefore, a computer script is developed to provide the anticipated merit increase to all eligible positions on a full-year basis for the new fiscal planning process. The data interface into Performance Budget reflects the HRIS snapshot and any adjustments programmed through the script.

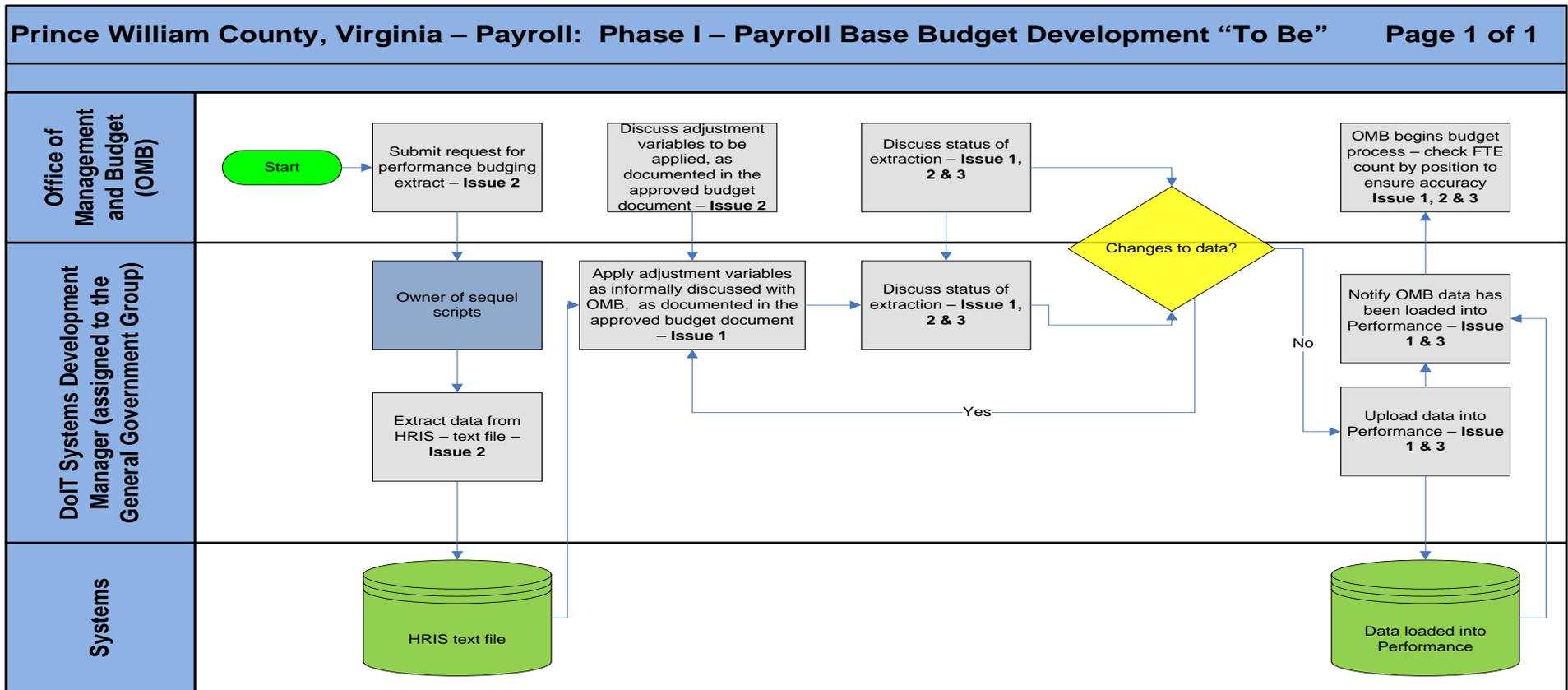
Examples of changes that are applied to the HRIS data utilizing the script, and prior to interface include the following:

- Merit and/or pay plan increases, as approved for the current fiscal year
- Benefits changes, including incremental VRS adjustments
- Resetting vacant positions to the minimum salary of the grade

For illustrative purposes, we have included on the following page an As-Is process map to show the flow of information and lines of responsibility for the payroll base budget development process as it is currently being performed.

# Background

"As Is" Process



## **Objectives and Approach**

# Objectives and Approach

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## **Objectives**

The internal audit of the payroll process will be conducted in phases. The objective of the Internal Audit of Payroll: Phase 1 – Payroll Base Budget Development was to assess whether the system of internal controls over compensation base budget development is adequate and appropriate, and make recommendations for improvement where considered necessary. This phase of our audit was limited to the development of the payroll base budget, and does not include the modeling process that results in the final proposed budget for approval by the Board of County Supervisors.

## **Approach**

Our audit approach consisted of the following three phases:

### *Understanding and Documentation of the Process*

During this phase we conducted interviews with representatives from the Office of Management & Budget, Department of Information Technology and the Office of the County Executive to discuss the scope and objectives of the audit work, obtained preliminary data, and established working arrangements. We also obtained copies of reports and other documents deemed necessary. We documented our understanding of the Payroll: Base Budget Development process in a process map, or flowchart, which was subsequently validated by the parties noted above.

### *Design Assessment*

During this phase, we assessed whether the controls are properly designed and made recommendations on how to improve internal controls where deficiencies were identified.

### *Reporting*

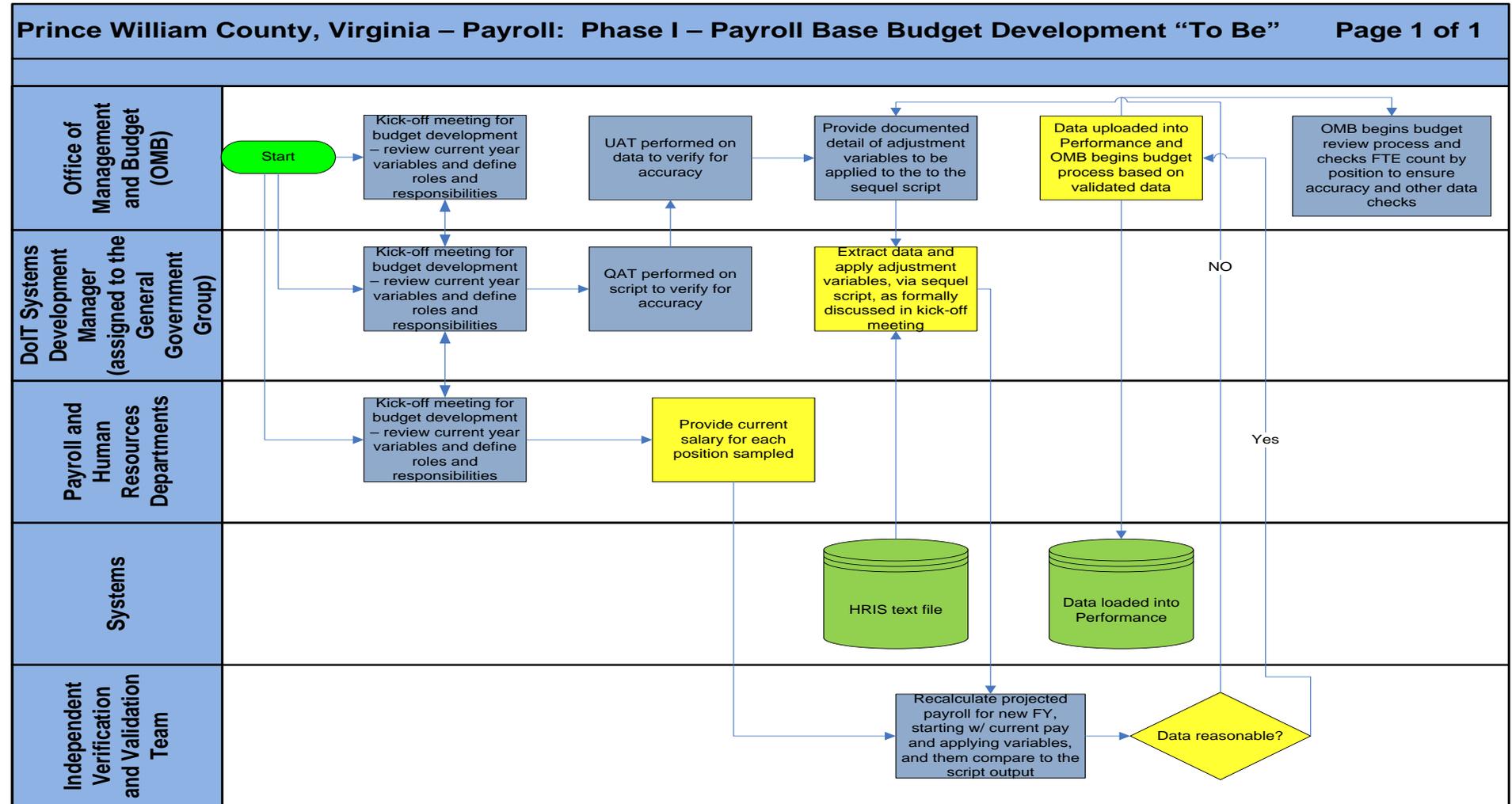
At the conclusion of this audit, we summarized our findings related to the Internal Audit of Payroll: Phase 1 – Payroll Base Budget Development process. We have reviewed the results of our internal audit with the Office of Management & Budget, Department of Information Technology, Office of the County Executive, and the County Attorney's Office.

## **Issues Matrix**

Rating	Issues	Recommended Actions	Management's Response
High	<b>1. Change Management and Ownership of Interface</b>		
	<p>DoIT owns, maintains and runs the critical script required for payroll budget development process. This structure does not facilitate appropriate segregation of duties as expanded below.</p> <p><b>Quality Acceptance Testing</b> Quality Assurance Testing (QAT) relates to having a second party test whether a program has been designed as requested. For IT applications, it generally means that the code is written by an IT programmer as intended and it is checked by another IT programmer or supervisor. During our review we noted QAT was not being performed for the HRIS interface process. The DoIT Systems Development Manager performs checks, but the functionality is not verified by another party.</p> <p><b>User Acceptance Testing</b> User Acceptance Testing (UAT) relates to having the end user of a program test to determine that the program meets the requirements or specifications that were requested. It doesn't necessarily mean that the program does what the user wanted it to do, because their specs could have been flawed. We noted the UAT is not sufficiently performed. The OMB Budget Technical Manager performs a series of checks, but they are performed on data within the Performance system and not compared against HRIS data.</p> <p><b>Ownership</b> The interface script is run annually by DoIT. The variables programmed into the script should be owned by OMB staff for appropriate segregation of duties. There has been undefined ownership of the checks performed over the data during the payroll base budget development process, resulting in disparate assumptions.</p> <p>Not defining and performing these checks increases the risk that a critical program or application may fail or not operate as intended.</p>	<p>We recommend that the changes made to the HRIS interface prior to upload into Performance Budget be subjected to QAT and UAT each year to determine that the script used to apply the new variables is working properly, and that the new variables have been entered correctly.</p> <p>These tests would be discussed during OMB and DoIT kickoff/entrance meeting prior to the interface, and included in the payroll budget development checklist. Appropriate sign offs would occur to document performance and accountability.</p> <p>See also Issues #2 and #3 for the definition of roles and responsibilities and the verification and validation of the interface output.</p>	<p><b>Response:</b> DoIT concurs that DoIT is the owner of the script that creates the interface. DoIT will perform IV&amp;V on the Quality Assurance Test (QAT) utilizing the IV&amp;V function that exists within DoIT. This is intended to address the issue of segregation of duties for the DoIT System Development Manager and provide for an independent review of the scripting and operation of the extract function. DoIT will also make sure that the System Development Manager is backed up by additional management personnel for redundancy purposes.</p> <p>OMB concurs that OMB is the owner of the BOCS approved changes to compensation and the final output that becomes the base budget for the next proposed budget development process. OMB will set up a kickoff meeting with the DoIT Systems Development Manager, the Human Resources HRIS Administrator, the OMB Budget Technical Manager and the Finance Payroll &amp; Benefits Financial Manager to confirm and sign off on the BOCS approved variables that will be included in the script for the interface.</p> <p><b>Responsible Parties:</b> DoIT, OMB, Finance, HR</p> <p><b>Estimated Completion Date:</b> July 31, 2013</p>

Rating	Issues	Recommended Actions	Management's Response
High	<p><b>2. Defined Roles and Documented Procedures</b></p>		
	<p>Our discussions revealed that each year the parties involved with the payroll base budget development, specifically the interface between HRIS and Performance would 'retrace their steps' from the previous year. This critical process is not documented. The roles and responsibilities for the process by the multiple parties involved are not formalized.</p> <p>These factors, coupled together, increase the risk that new variables will not be included in the script that drives the interface. Each year there are variables to consider within the budget which could include merit increases and pay plan adjustments, as well as changes to benefits and other items.</p> <p>Without standardized procedures and forms to capture the process for ensuring proper roll-forward of the base payroll budget, reporting errors could occur and not be detected in a reasonable time period or at all.</p>	<p>We recommend the DoIT and the OMB utilize the process map developed during this audit and set up desktop procedures for payroll base budget development.</p> <p>We have provided an as-is process flow (in the Background section) and proposed process flow (on the following page), based on our understanding of the process and incorporating our recommended actions from this report. These can be provided in Microsoft Visio format for your use and update. Recommended actions include not only defining roles and formalizing procedures, but also kick-off/entrance, various status and exit meetings between OMB and DoIT. We also recommend the OMB consider a process checklist for facilitation of the documentation of roles, responsibilities, acceptance testing and signoffs.</p> <p>These procedures will enhance the accountability process and provide a roadmap to all parties as to what needs to be done, when, and who will do it.</p>	<p><b>Response:</b> DoIT and OMB concur with the finding. OMB will convene a kick-off meeting no later than July 15 of each year with Finance, Payroll, Human Resources and Information Technology to set the parameters for the HRIS to Performance interface scheduled to occur each August.</p> <p>a. The Budget Technical Manager is developing a standard memorandum that will be utilized annually to document that interface variables have been confirmed prior to the interface being performed. The DoIT Systems Development Manager, the Human Resources HRIS Administrator, the OMB Budget Technical Manager and the Finance Payroll &amp; Benefits Financial Manager will confirm and sign off on the BOCS approved variables that will be included in the script for the interface. The signed document will be scanned and maintained in the OMB "W" drive on the County network for three years.</p> <p>b. The Budget Process maps and annual calendar will be amended to include this process prior to the interface being performed.</p> <p><b>Responsible Party:</b> OMB</p> <p><b>Estimated Completion Date:</b> July 15, 2013</p>

“To Be” Process



Rating	Issues	Recommended Actions	Management's Response
High	<b>3. Independent Verification and Validation</b>		
	<p><b>Verification</b></p> <p>We noted there is no detailed verification of the interface to check the individual position payroll changes have been properly included prior to being updated into Performance Budget. Verification would help determine whether all payroll changes have been applied to the data.</p> <p><b>Validation</b></p> <p>We noted there is no comparison of the individual employee data compared to HRIS source documents and recalculated for accuracy. Validation of the data would help determine whether the calculations were accurately applied.</p> <p>Currently there are high level reasonableness tests performed by OMB staff on the FTE and salary dollar impacts at the department level for changes to payroll data during base budget modeling. Significant department variances are submitted to the department Directors for analysis and explanation. Staff currently performs these checks to measure accuracy of FTE count rather than salary, and also compares various aggregate salary data within Performance Budget. OMB staff does not have access to HRIS source data, which is appropriate.</p> <p>Without tracing back to source information, the risk of inaccurate calculation or incomplete information increases.</p>	<p>We recommend the County create an Independent Verification &amp; Validation (IV&amp;V) team that includes Payroll and Human Resources personnel. These employees already have appropriate access to individual pay data. They can perform salary recomputation and testing by using the flat text files that are extracted from HRIS and importing the data into excel.</p> <p>This would include selecting a judgmental sample of employees with relevant criteria as of the interface date and recalculating the projected payroll for the new fiscal year being budgeted, starting with the current pay data and applying the variables that will be applied by the script, and then comparing the information to the script output prior to uploading it into Performance Budget.</p>	<p><b>Response:</b> DoIT and OMB concur with the finding that the interfaced data requires a different testing method for validation. Finance/Payroll and Human Resources will provide independent verification of the county payroll information for a sampling of PCNs, which will then be compared against the interfaced data entered into Performance Budgeting.</p> <p>a. An IV&amp;V team will be convened annually at the start of the interface process via the kickoff meeting, and then again when the interface has been completed to verify the interfaced data.</p> <p>b. The Budget Technical Manager has created a new document entitled "FY 2015 Base Budget HRIS Interface to Performance Budget Check" which has been added to the OMB Budget Development process documentation. This spreadsheet will document the results of a test sample of PCNs in every county department when the interface has been completed and is ready to be loaded into Performance Budgeting.</p> <p>i. OMB analysts will select the PCN sample (n=113)</p> <p>ii. The Finance Payroll and Benefits Financial Manager and the Human Resources HRIS Administrator will load the annual salary from HRIS for FY 14 for each selected PCN and return the spreadsheet to OMB</p>

Rating	Issues	Recommended Actions	Management's Response
High	3. Independent Verification and Validation continued		<p>iii. OMB analysts will then load the annual salary for each selected PCN from the interfaced data in Performance Budgeting</p> <p>iv. The spreadsheet has prebuilt formulae to compare the percentage change between the annual salary shown in Payroll against the annual salary shown in Performance Budgeting. The check column has an IF, THEN statement in place which will return OK or ERROR. OMB analysts will coordinate with departments as necessary to confirm or correct any ERROR return.</p> <p>v. In the event of more than 5% ERROR returns on the interfaced data, the Budget Technical Manager reconvenes the OMB/Finance/IT/HR team to rerun the interface, and then repeat the check.</p> <p>vi. The "FY 2015 Base Budget HRIS Interface to Performance Budget Check" document will be retained electronically for three years on the County network.</p> <p>vii. This process has been added to the OMB annual budget calendar and process maps.</p> <p><b>Responsible Party:</b> OMB</p> <p><b>Estimated Completion Date:</b> The forms have been built and tested, and will be utilized annually. This action is completed.</p>

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