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To: The Honorable John McLeod, President of the Council
The Honorable Jay Musleh, President ProTem
The Honorable James Hilty
The Honorable Brent Malever
The Honorable Mary Sue Rich
The Honorable Kent Guinn, Mayor
Matthew Brower, City Manager

Date: July 30, 2014

Re: FY 2014 External Audit Assistance – Payroll

Internal Audit assists the external financial auditors, Purvis Gray and Company, LLP, with specific audit procedures for the Financial Statement Audit for the Fiscal Year Ending September 30, 2014 and have completed auditing procedures for Payroll. The objective was to determine that employees were appropriately paid for time worked, payroll was accurately calculated, payroll transactions were properly recorded in the financial records, and controls over the payroll process are effective.

As addressed in the FY 2014 Payroll Second Quarter Testing Audit Report dated April 15, 2014, we identified opportunities to strengthen controls over access to the Payroll and Human Resource software system and the process for changing employee profiles. We expanded our subsequent testing procedures to include employee profile changes. Testing results were provided to management. We continue to recommend that Human Resources and Finance:

- Develop and/or continue to periodically review employee profile changes to ensure changes are appropriate and are made only by the user whose assigned job function is to make such changes. Procedures should ensure system users are prevented from changing their own individual employee profiles by requiring the position's back-up to make such changes.

We conclude, based upon the procedures completed, that employees are properly paid for time worked, payroll expenditures are appropriately reflected in the City's financial records and internal controls over the payroll process for fiscal year 2014 are effective.

We appreciate the assistance of Human Resources and Payroll personnel.

Generally Accepted Government Auditing Standards and the Institute of Internal Auditors Standards require that we plan and perform our audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. The evidence obtained provides a reasonable basis for our observations and conclusions.

A handwritten signature in blue ink that reads "Jeanne Covington".

Jeanne Covington, Internal City Auditor

c: Diane Reichard, CFO/Assistant City Manager
Sandra Wilson, Assistant City Manager, Support Services
Mary Ann Davis, Finance Director
Jared Sorensen, Director, Human Resources & Risk