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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 R. Kent Guinn, Mayor  
Matthew Brower, City Manager

Date: April 15, 2014

Re: External Audit Assistance – Payroll - FY 2014 Second Quarter Internal Control Testing

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. We have completed auditing procedures for Payroll for first and second quarter FY 2014. The objective was to determine if employees were appropriately paid for time worked, payroll was accurately calculated, payroll transactions were properly recorded in the financial records, and to review the controls over the payroll process.

During the testing, we identified opportunities to strengthen controls for access to the Payroll and Human Resource software system. We were unable to find proper documentation to support a change made to an employee profile. This led to expansion of our testing to include a high level review of changes made to employee profiles for fiscal years 2013 and 2014. We did not identify any changes that would have had an adverse effect on the reporting of payroll expenses in the financial records. We have provided the detailed testing results to management and have recommended that:

- Management review the system's current user and group permissions which provide access to view, add, delete or change employee profiles. Access should be restricted to only those users that require access to perform duties under the scope of their positions.
- Develop procedures to ensure system users are prevented from initiating changes to their own individual employee profiles by requiring the position's back-up to make the changes.
- 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.

We will perform follow-up audit testing to assure system access has been addressed as we continue quarterly testing of payroll controls.

Although opportunities to strengthen controls were identified, we were able to conclude, based upon the procedures completed, that employees are properly paid for time worked and payroll expenditures are appropriately reflected in the City's financial records.

We appreciate the assistance of Human Resources and Information Technology, especially Nerissa Davis, Human Resource Administrator.

*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.*



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Jeanne Covington  
Internal City Auditor

- c: Diane Reichard, Assistant City Manager and CFO
- Sandra Wilson, Assistant City Manager, Support Services
- Mary Ann Davis, Director, Finance
- Winsome Jacobs, Director, Information Technology
- Jared Sorensen, Director, Human Resources & Risk