

**CITY OF HAMILTON
INTERNAL AUDIT REPORT 2015-08
CORPORATE SERVICES–SALARY PAYROLL AUDIT
FOLLOW UP**

OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (AUGUST2017)
<p><u>Procedures</u> The following procedures were identified as requiring improvement:</p> <ul style="list-style-type: none"> • Removing terminated employees from the PeopleSoft HR listing utilized by Payroll for payroll processing. <i>(Responsibility: HR Division – HR Systems and Operations Section)</i> • Mandatory payroll deductions, i.e. income tax, EI, CPP, OMERS, and if applicable, union dues. <i>(Responsibility: Financial Services Division-Payroll & Pensions Section)</i> <p>These procedures do not provide adequate detail to provide guidance for staff, are not dated, do not indicate who the responsible individual is or how frequently they should be reviewed.</p> <p>Relevant risks include: terminated employees remaining on the City’s payroll longer than they should and the inaccurate calculation of payroll deductions.</p>	<p>1. That procedures for the identified topics be reviewed to ensure they include adequate detail to provide direction to staff, indicate the responsible individuals, be dated and have a specified review frequency.</p> <p>These procedures should be reviewed and signed off by management at the specified frequency or whenever a significant change in process occurs.</p>	<p><u>HR Division:</u> Agreed. This recommendation has been addressed by the documentation of the termination process as part of the Human Resources Automated Workflow initiative which went live on October 19, 2015. All Human Resources administrative procedures have been documented with clear indication of who is accountable for a task at any given step in a process.</p> <p>As departments are accountable for notifying Human Resources of a departing employee, automation of the notification process through the workflow initiative has eliminated the opportunity for misplaced paperwork on the HR and payroll end.</p>	<p>Completed. The <i>HR Administration Guide – Automated Workflow & Manager Self Service</i> provides adequate detail for staff to process employee terminations. This <i>Guide</i> is dated, indicates responsible individuals and reviewed and updated on a continuous basis to reflect process changes and technical upgrades.</p>

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<p><u>Procedures (Cont'd.)</u> When formal procedures are lacking detail or are out of date, employees use personal understanding and experience to carry out processes which could result in incorrect, incomplete or inconsistent application. It would also be problematic and inefficient for a successor to commence his/her duties within a short period of time.</p>		<p><u>Financial Services Division:</u> Agreed. For each tax update released by Oracle, the Business Application Analyst for Payroll currently has a task list that is followed to verify payroll taxes prior to releasing the change to production. This task list will be formalized into a more robust procedure by Q2 2016.</p>	<p>In Progress. Although a number of payroll deduction procedures are dated and indicate the responsible individuals and review frequency, some procedures are not being reviewed according to the stated frequency. In addition, procedures related to garnishments are not documented sufficiently.</p> <p>Management disagreed with this assessment based on their understanding that the only concern raised during the audit was whether tax calculations are correct after applying the system year-end tax update. As the Management Action Plan addressed this issue and has been resolved, no further action is required.</p>

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<u>Procedures (Cont'd.)</u>			<p>Audit Services understands Management’s position; however, incomplete action on the remaining observations leaves the Financial Services Division non-compliant with their own policies. All policies and procedures should remain up-to-date and well documented. Accordingly, Audit Services has informed Management that these issues remain unaddressed and will revisit them as part of the annual follow up process.</p> <p>Expected Completion: Undetermined.</p>