

**BROOME COUNTY
DEPARTMENT OF
AUDIT AND CONTROL**

**PAYROLL AUDIT
ELECTIONS & STOP DWI**

January 2004

Alex J. McLaughlin, Comptroller

January 9, 2004

Jeffrey P. Kraham, County Executive:

The Department of Audit and Control has audited the payroll for the Board of Elections and Stop-DWI for the payroll period ended November 9, 2003. The principle objectives were to ensure that payroll was recorded and distributed in a proper manner and that proper authorization existed for all payroll deductions.

The audit was conducted in accordance with generally accepted auditing standards. Such standards require that the Department of Audit and Control plan and perform the audit to adequately assess the accuracy of the financial records and adequacy of the internal controls, and that we examine, on a test basis, sufficient, competent and relevant evidence to afford a reasonable basis for our conclusions.

Based on the results of our examination, and except for the instances noted herein, it is our opinion that the Board of Elections and Stop-DWI have complied in all material respects with existing rules, regulations, policies and procedures to properly monitor and record departmental payroll transactions.

Sincerely,

Alex J. McLaughlin
Comptroller

cc: Daniel A Schofield, Chairman of the Legislature
Members of the Legislature
Louis P. Augostini, Clerk of the Legislature
Joseph Sluzar, Commissioner of Board of Elections
Cathy Schaewe, Commissioner of Board of Elections
James F. May, Coordinator of Stop-DWI
Jerome Z. Knebel, Commissioner of Finance
Nancy Olmstead, Personnel Officer

AUDIT FINDINGS, RECOMMENDATIONS AND RESPONSES

-DEPARTMENT OF FINANCE-

FINDING 1: NY STATE TAX WITHHELD NOT CONSISTENT WITH WITHHOLDING ALLOWANCE CERTIFICATE (IT-2104)

During the course of our examination, we noted an instance where the amount of state tax withheld from an employee's check was not consistent with the calculated amount of withholding based on the employee's most recent Withholding Allowance Certificate (IT-2104) on file. The employee's IT-2104 indicates state tax withholding should be married, but withhold at higher single rate. The amount of state tax withheld was calculated using the married rate not the single rate.

All deductions from employee's paychecks must be supported by and correspond to authorizations maintained in the employee payroll file.

Deductions from employee paychecks that do not correspond to authorizations signed by the employee may result in incorrect amounts being deducted from employee paychecks.

RECOMMENDATION:

We recommend that the Finance Department ensure that deductions in the payroll system correspond to authorizations maintained in the employee's payroll file.

We also recommend that the Finance Department correct the employee's state tax withholding.

MANAGEMENT RESPONSE:

The employee's withholding has been amended to match your assessment of the most recent document submitted, and a letter advising him of this change has been mailed.

AUDIT FINDINGS, RECOMMENDATIONS AND RESPONSES

-STOP-DWI-

FINDING 2: CHANGES TO TIMESHEET NOT PROPERLY INITIALED

During the course of our examination, we discovered one instance where time recorded on an employee's timesheet was crossed out and changed. Neither the employee nor the supervisor had initialed the entries.

Broome County Personnel Department Policy #3060.3 states that employees shall record their own time, and shall not record or alter the time for a co-worker. Employees shall not alter a previously recorded time unless approved, in writing, by a supervisor. Such approval may be indicated by the supervisor's initials. Changes are to be initialed by the employee.

Failure to properly initial timesheet alterations could result in the employee, supervisor, or a third party making changes without the knowledge or approval of other(s).

RECOMMENDATION:

We recommend that Stop-DWI revise its procedures relative to the timekeeping requirements to ensure proper oversight and compliance with Broome County Personnel Policy #3060.3.

MANAGEMENT RESPONSE:

On Friday, October 31, 2003 the employee mentioned in the report had asked to use 2.0 hours of vacation. (As was initially recorded on the employee's timesheet.) Because it was a quiet workday, the employee asked to leave an hour earlier than originally requested. As a result of my approval of the employee's early departure, the employee changed to timesheet to reflect the extra hour of vacation used. Since I am the employee's supervisor as well as the Department Head I felt our signature at the bottom of the time sheet was sufficient. In the future our department will ensure proper initialing of any changes that are made. The employee did not intend to mislead or manipulate the hours of work, in fact she correctly noted her work and vacation time.

AUDIT FINDINGS, RECOMMENDATIONS AND RESPONSES

-DEPARTMENT OF FINANCE AND PERSONNEL-

FINDING 3: PAYROLL SYSTEM CONTROLS ARE NOT ADEQUATE TO PREVENT INAPPROPRIATE MANIPULATION OF PAY RATES

During the course of our audit, we found that departmental payroll contacts have the ability to change pay rates and enter lump sum pay adjustments.

Employee pay rates are supposed to be determined and controlled by the Personnel Department, in accordance with applicable union contracts, resolutions, local laws, etc.

An antiquated payroll system and overly complicated pay routines seemed to have contributed to this condition.

As a result of this misplaced authority, the Elections Department was able to overpay their Election Night Data Entry Operators by \$10, due to their misunderstanding of what was the proper rate. Obviously, the potential for abuse of this control weakness is quite large.

RECOMMENDATION:

We recommend that Finance and Personnel work together to remove the ability of departmental payroll contacts to enter various lump sum amounts and make changes to employee pay rates in the Payroll system.

MANAGEMENT RESPONSE:

Finance:

The Finance Department will assist the Personnel Department in reviewing the process and establishing proper checks and balances for these types of payments.

Personnel:

It is correct that payroll contacts have the ability to enter lump sum amounts for payment and to make changes to pay rates. This is partly due to the payroll system currently in use which allows for this access by payroll contacts. Since this is part of the computerized payroll system the Department of Personnel has no way of blocking access by the payroll clerks. Such blockage would have to be done by Information Technology. It is my understanding they are looking at the feasibility of implementing a block. In addition, they have scheduled a meeting to

look at an alternative payroll system.

Payroll contact access is also due to the decentralized payroll system in place for many years. The Department of Personnel is available to meet with representatives of Finance and other departments to discuss possible ways to remove access by implementing more centralized payroll.

The issue identified here is not simple to address. Major changes will have to occur to block payroll contact access either by a system block or by implementing a more centralized payroll. It will take a great deal of time and require input from many sources to study the options and determine how best to proceed. Decisions will have to be made as to who will input temporary changes in pay rates and lump sum payments if it is not to be done by payroll contacts. Finally, the cost of changes will have to be compared to the benefit of making the changes. After all necessary parties review the various options along with their strengths and weaknesses, hopefully a decision can be made as to how to address the issue.