



CITY OF SAN ANTONIO

P.O. Box 839966
SAN ANTONIO TEXAS 78283-3966

September 24, 2024

Ron Nirenberg
Mayor

Sukh Kaur
Councilwoman, District 1

Jalen McKee-Rodriguez
Councilman, District 2

Phyllis Viagran
Councilwoman, District 3

Dr. Adriana Rocha Garcia
Councilwoman, District 4

Teri Castillo
Councilwoman, District 5

Melissa Cabello Havrda
Councilwoman, District 6

Marina Alderete Gavito
Councilwoman, District 7

Manny Peláez
Councilman, District 8

John Courage
Councilman, District 9

Marc Whyte
Councilman, District 10

SUBJECT: Audit Report of Human Resources Payroll Deductions

Mayor and Council Members:

We are pleased to send you the final report of the Human Resources Payroll Deductions. This audit began in October 2023 and concluded in August 2024. Management's acknowledgement is included in Appendix B of the report. The Human Resources management and staff should be commended for their cooperation and assistance during this audit.

The Office of the City Auditor is available to discuss this report with you individually at your convenience.

Respectfully Submitted,

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
City of San Antonio

Distribution:

Erik Walsh, City Manager

Ben Gorzell, Chief Financial Officer

Renee Frieda, Director of Human Resources

Andrew Segovia, City Attorney

Debbie Racca-Sittre, City Clerk

Zack Lyke, Chief of Staff, Office of the Mayor

Joe Frank Picazo, Interim Assistant to the City Manager, Office of the City Manager

Judy Treviño, Audit Committee Member

Philip M. Harris, Audit Committee Member

**CITY OF SAN ANTONIO
OFFICE OF THE CITY AUDITOR**

HUMAN RESOURCES
AUDIT OF PAYROLL DEDUCTIONS
PROJECT NO. AU24-020
SEPTEMBER 24, 2024

KEVIN W. BARTHOLD, CPA, CIA, CISA
CITY AUDITOR



Table of Contents

Executive Summary	2
Background.....	3
Audit Scope and Methodology	4
Audit Results	5
Appendix A – Staff Acknowledgement	7
Appendix B – Management Acknowledgement	8

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of the Human Resources (HR) Department, specifically payroll deductions. The audit objectives, conclusions, and recommendations follow:

Determine if personnel payroll deductions are authorized, accurate, and reconciled to the appropriate accounts.

Personnel payroll deductions are authorized, accurate, and reconciled to the appropriate vendor accounts. The HR Department has accurately administered mandatory deductions, which include medical, dental, and vision benefit premiums to eligible full-time employees. In addition to mandatory deductions, HR also has ensured voluntary deductions are accurate and accounted for appropriately. HR ensured other payroll deductions such as Health Savings Accounts (HSA), Flexible Spending Accounts (FSA), and charitable campaign contributions to United Way were handled correctly and were appropriately assigned to the designated wage codes and general ledger accounts.

Also, HR and the Finance department have verified that garnishment deductions are accurate and paid to the designated vendors. The retirement deductions with Texas Municipal Retirement System (TMRS) of six percent for eligible full-time employees were applied correctly and accurately.

Additionally, HR had standard operating procedures (SOPs) for HR related payroll deductions, and they were adequately reviewed by management and were periodically updated. Finally, HR had appropriate controls for user access to FileNet.

We make no recommendations to HR management; consequently, no management responses are required. Management's acknowledgement of these results is in Appendix B on page 8.

Background

The Human Resources department manages the employee payroll deductions for compensation, benefits, and payroll garnishments. These deductions include benefit premiums, retirement contributions, and health savings accounts. Most changes to payroll deductions happen one time a year during “Open Enrollment”. Open Enrollment is a two-week period that employees can select their benefit plans as well as make changes to other existing coverages before the new coverage dates begin on January 1st. Changes can also be made if there is a qualifying life event, such as marriage or the birth of a child. Qualifying life event changes can be made at any time during the year.

Eligible employees can make changes to many of their benefits which in turn can change the employee’s payroll deductions for the new year or after a qualifying life event. After any of these changes, HR will mail the employees a summary of benefits with the deductions to be taken. It is the employee’s responsibility to contact HR if there are any discrepancies or changes that need to be addressed. Employees are also able to review their deductions by visiting Employee Self Service (ESS) portal and reviewing the payroll statements available. HR also conducts periodic reviews throughout the year to determine if payroll deduction requests are accurate and complete.

Audit Scope and Methodology

The audit scope included the accounting and monitoring of payroll deductions for FY 2023 through March 2024 and included employee deductions review and verifications, standard operating procedures, and user access.

To establish the testing criteria, we reviewed the HR department's SOPs, benefit guides, and other employee compensation offerings. Additionally, we gained an understanding of the HR payroll deductions through interviews with HR personnel and conducted walkthroughs of the payroll deduction process, management of deductions, wage codes and general ledger assignment.

We assessed internal controls relevant to the audit objective. This included a review of various payroll deductions. Included in our review were mandatory deductions such as medical and dental.

We also reviewed voluntary deductions including additional life insurance, disability, and accidental coverage. Other deductions were also tested which included HSA and FSA, as well as charitable campaign contributions to United Way. We verified deductions associated with required garnishments and TMRS retirement plan. In addition, we confirmed HR's SOPs were established and updated by management. Lastly, we reviewed for appropriate user access of the systems used.

We relied on computer-processed data in SAP to review and validate the employees' deductions, payment to vendors, and confirm GL accounts. Our reliance was based on performing direct tests on the data rather than evaluating the system's general and application controls. We do not believe that the absence of testing general and application controls had an effect on the results of our audit.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Results

Human Resources Department has implemented effective procedures to ensure payroll deductions are appropriate and accurate.

HR has reviewed and verified mandatory deductions to ensure they are appropriate and accurate. We selected a sample of 25 employees as of 3/1/2024 with mandatory deductions that included medical, dental, and vision benefit premiums. The sample included payments to three separate vendors and one transfer. We confirmed all sampled mandatory deductions had the appropriate supporting documentation and were accurate based on the City's agreed premium rates with the vendors and the vendor payments and transfer were accurate. The sampled deductions were also accurately posted to the respective wage codes and general ledger accounts. The audit team also reviewed two additional pay dates, 6/7/2024 and 6/21/2024, to verify the total mandatory deductions for medical benefits were accurate compared to the benefit vendor transfers. Both pay dates were verified and accurate.

We also determined that HR's voluntary deductions were processed correctly and accurately. We sampled 25 employees that had voluntary deductions and found the 25 sampled employees had appropriate documentation and were assigned to the proper general ledger and wage code accounts. The sampled selection included payments to eight vendors. The payments to the vendors were accurate.

Furthermore, we confirmed other deductions, which included HSA, FSA, and charitable campaign contributions, were accurate. We selected a random sample of 25 employees and found all deductions were accurate, had necessary support, and were properly accounted for in the respective wage codes and general ledger accounts.

We also verified TMRS retirement deductions were deducted properly and accurately. We reviewed 7,950 eligible, full-time employees for pay date 3/1/2024, and found the retirement deductions to be accurate and properly deducted.

Additionally, HR and Finance have properly and accurately deducted required garnishments. We selected a sample of 25 employees and verified supporting documentation was obtained by Finance, and the required deduction amounts were accurate. The garnishments for the sample were paid to three vendors. We confirmed the appropriate vendor payments were completed in a timely and accurate manner.

We reviewed the SOPs to determine if they were reviewed and approved. We found that they were reviewed annually and appropriately approved. Finally, we determined HR Department had

appropriate user access. We reviewed all 11 employees with FileNet access and determined access was appropriate.



Appendix A – Staff Acknowledgement

Buddy Vargas, CPA, CIA, CFE, Audit Manager

Yadira Valenzuela, Auditor in Charge

Jeffrey Barrs, CPA, Auditor

Appendix B – Management Acknowledgement



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

September 12, 2024

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
San Antonio, Texas

RE: Management's Acknowledgement of its Review of Human Resources Department Payroll Deductions Audit

Human Resources Department has reviewed the audit report and provided its comments to the auditors. As there are no recommendations for management, no management responses are required.

Human Resources Department:

☒ Fully Agrees

☐ Does Not Agree (provide detailed comments)

Sincerely,

A handwritten signature in black ink, appearing to read "Renee Frieda", written over a horizontal line.

Renee Frieda
Director
Human Resources Department

9/13/24
Date

A handwritten signature in blue ink, appearing to read "Ben Gorzell", written over a horizontal line.

Ben Gorzell
Chief Financial Officer
City Manager's Office

9/13/2024
Date

