

AUDIT COMMITTEE SUMMARY
Audit of Finance Citywide Payroll
Report Issued September 29, 2021

Audit Objective

Determine if internal controls are in place to ensure payroll processing is accurate.

Background

Labor Services, a group within the Finance Department, oversees the processing of payroll disbursements. Labor Services administers four payroll areas: Bi-weekly Civilian, Bi-weekly Uniform (Police and Fire Departments), Bi-weekly Temporary, and School Crossing Guards which are processed monthly. The total payroll amount for calendar year 2020 was approximately \$575 million.

SAP is an enterprise resource planning (ERP) software that creates a centralized system to manage financial and employee records. SAP has various levels of security, one of which is the modification of access privileges based on transaction codes and user roles.

Scope & Methodology

The audit scope included payroll transactions between September 2019 and December 2020 excluding the Fire and Police Departments. We interviewed staff management and key staff to obtain an understanding of the payroll process. Testing criteria included City Administrative Directives.

Conclusions

We determined that the design of the City's payroll process is adequate; however, the City can further improve SAP user access within the payroll process.

SAP has various levels of security, one of which is the modification of access privileges based on transaction codes and user roles. During the period under review, we found excessive user access for payroll transactions, lack of documenting compensating controls or alternative procedures where the separation of duties is impractical, and lack of semi-annual user access reviews. As a result, there is a risk that users with excessive access privileges may perform erroneous or fictitious transactions resulting in financial loss to the City.

Finance management agreed with our observations and has developed a positive action plan to address them.