



INTERNAL AUDIT DEPARTMENT



Internal Control Audit: County Executive Office Payroll

For the Period of September 30, 2022
Through December 31, 2022

Audit No. 2113
Report Date: October 10, 2023

Number of Recommendations

0

Critical Control
Weaknesses

0

Significant Control
Weaknesses

0

Control Findings

OC Board of Supervisors

CHAIRMAN DONALD P. WAGNER
3rd DISTRICT

VICE CHAIRMAN ANDREW DO
1st DISTRICT

SUPERVISOR VICENTE SARMIENTO
2nd DISTRICT

SUPERVISOR DOUG CHAFFEE
4th DISTRICT

SUPERVISOR KATRINA FOLEY
5th DISTRICT



INTERNAL AUDIT DEPARTMENT

Internal Control Audit:
County Executive Office Payroll

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AUDIT HIGHLIGHTS

SCOPE OF WORK	Perform an internal control audit of County Executive Office's (CEO) payroll process for the period of September 30, 2022 through December 31, 2022.
RESULTS	<ul style="list-style-type: none">We concluded that CEO's internal controls over the payroll process were generally effective to ensure payroll is complete, accurate, authorized, timely, and in accordance with County and department policies and procedures.We concluded that CEO's payroll process was generally efficient.
RISKS IDENTIFIED	Not applicable as there were no findings requiring corrective action.
NUMBER OF RECOMMENDATIONS	Our audit did not reveal any opportunities for enhancing internal control related to the business process and scope reviewed.
0	CRITICAL CONTROL WEAKNESSES
0	SIGNIFICANT CONTROL WEAKNESSES
0	CONTROL FINDINGS

Report suspected fraud, or misuse of County resources by vendors, contractors, or County employees to (714) 834-3608.



INTERNAL AUDIT DEPARTMENT

Audit No. 2113

October 10, 2023

To: Frank Kim
County Executive Officer

From: Aggie Alonso, CPA, CIA, CRMA
Internal Audit Department Director

Subject: Internal Control Audit: County Executive Office Payroll

We have completed an internal control audit of County Executive Office's payroll process for the period of September 30, 2022 through December 31, 2022. Details of our results immediately follow this letter. Additional information including background and our objectives, scope, and methodology are included in Appendix A.

We will include the results of this audit in a future status report submitted quarterly to the Audit Oversight Committee and the Board of Supervisors. In addition, we will request your department complete a Customer Survey of Audit Services, which you will receive shortly after the distribution of our final report.

We appreciate the courtesy extended to us by CEO's personnel during our audit. If you have any questions regarding our audit, please contact me at (714) 834-5442 or Senior IT Audit Manager Michael Dean at (714) 834-4101.

Attachments

Other recipients of this report:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- County Executive Office Distribution
- Robin Stieler, Clerk of the Board
- Foreperson, Grand Jury
- Eide Bailly LLP, County External Auditor

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RESULTS

BUSINESS PROCESS & INTERNAL CONTROL STRENGTHS	Business process and internal control strengths noted during our audit include: <ul style="list-style-type: none">✓ CEO's payroll unit follows a documented closing process to review/audit timecards on a bi-weekly basis to ensure proper processing of payroll.✓ Payroll staff send bi-weekly e-mail reminders to CEO employees to submit timecards.✓ The department has created several documented procedures for the OC Time reports they run during the closing process.✓ Timecard audit reports are signed and dated by the preparer (payroll clerk) and reviewer (payroll supervisor) to establish accountability and evidence timely preparation and review.✓ All timecards are uploaded to Central Payroll on the Friday following the end of the pay period to ensure employees are paid timely.
FINDINGS	No findings were identified in this audit.
AUDIT TEAM	Michael Dean, CPA, CIA, CISA Gianne Morgan, CIA, CISA Alejandra Luna Thuy Luu Senior IT Audit Manager IT Audit Manager Senior Auditor Staff Specialist



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APPENDIX A: ADDITIONAL INFORMATION

OBJECTIVES	<p>Our audit objectives were to:</p> <ol style="list-style-type: none">1. Evaluate the effectiveness of internal controls over payroll processing to ensure payroll is complete, accurate, authorized, timely, and in accordance with County and department policies and procedures.2. Review the payroll process for efficiency.
SCOPE & METHODOLOGY	<p>Our audit scope was limited to internal control over CEO's payroll process for the period of September 30, 2022 through December 31, 2022. Our methodology included inquiry, observation, and examination of documentation.</p>
EXCLUSIONS	<p>Our audit scope did not include a review of controls over Human Resources functions or systems used to process payroll. In addition, we did not review the payroll process pertaining to withholdings, disbursements to other agencies, check printing, timekeeping, or payroll information system controls. Due to the recent implementation of OC Time and its automated features, we also did not perform testing of employee timecards for proper certification and pay code compliance.</p>
PRIOR AUDIT COVERAGE	<p>We have not issued any audit reports for CEO with a similar scope within the last ten years.</p>
BACKGROUND	<p>CEO's payroll is performed by Fiscal Services staff under the CEO's Finance division. The department uses the OC Time system to process payroll on a bi-weekly basis for approximately 500+ employees.</p> <p>During the audit period, total gross pay for CEO employees was approximately \$31 million.</p> <p>OC TIME</p> <p>The Auditor-Controller implemented a new time and attendance system with advanced scheduling capabilities, using WorkForce software, to provide the County with an efficient online process where employee timekeeping can be properly managed and meet labor MOU requirements and federal and state regulations. The new system, OC TIME, went live in County departments through a phased roll-out beginning July 2022. OC TIME has several enhancements, such as leave tracking and automation of premium pay calculations to help ensure payroll accuracy and compliance.</p>



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PURPOSE & AUTHORITY	We performed this audit in accordance with the Annual Risk Assessment & Audit Plan for FY 2021-22 approved by the Audit Oversight Committee (AOC) and Board of Supervisors (Board).
PROFESSIONAL STANDARDS	Our audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing issued by the International Internal Audit Standards Board.
FOLLOW-UP PROCESS	<p>In accordance with professional standards, the Internal Audit Department has a process to follow-up on its recommendations. A first follow-up audit will generally begin six months after release of the initial report.</p> <p>The AOC and Board expect that audit recommendations will typically be implemented within six months or sooner for significant and higher risk issues. A second follow-up audit will generally begin six months after release of the first follow-up audit report, by which time all audit recommendations are expected to be implemented. Any audit recommendations not implemented after the second follow-up audit will be brought to the attention of the AOC at its next scheduled meeting.</p> <p>This audit does not contain any recommendations; therefore, a follow-up audit will not be performed.</p>
MANAGEMENT'S RESPONSIBILITY FOR INTERNAL CONTROL	In accordance with the Auditor-Controller's County Accounting Manual Section S-2 Internal Control Systems: "All County departments shall establish effective internal controls as department management is responsible for internal control. Department management shall also continuously assess and strengthen internal control by evaluating internal control systems and promptly correcting weaknesses when detected." The criteria for evaluating internal control is the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework. Our audit enhances and complements, but does not substitute for department management's continuing emphasis on control activities and monitoring of control risks.
INTERNAL CONTROL LIMITATIONS	Because of inherent limitations in any system of internal control, errors or irregularities may nevertheless occur and not be detected. Specific examples of limitations include, but are not limited to resource constraints, unintentional errors, management override, circumvention by collusion, and poor judgment. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate. Accordingly, our audit would not necessarily disclose all weaknesses in the department's operating procedures, accounting practices, and compliance with County policy.



APPENDIX B: REPORT ITEM CLASSIFICATION

Critical Control Weakness	Significant Control Weakness	Control Finding
<p>These are audit findings or a combination of audit findings that represent critical exceptions to the audit objective(s) and/or business goals. Such conditions may involve either actual or potential large dollar errors or be of such a nature as to compromise the department's or County's reputation for integrity. Management is expected to address Critical Control Weaknesses brought to its attention immediately.</p>	<p>These are audit findings or a combination of audit findings that represent a significant deficiency in the design or operation of internal controls. Significant Control Weaknesses require prompt corrective actions.</p>	<p>These are audit findings concerning the effectiveness of internal control, compliance issues, or efficiency issues that require management's corrective action to implement or enhance processes and internal control. Control Findings are expected to be addressed within our follow-up process of six months, but no later than twelve months.</p>

