

BUSINESS CENTER NORTH  
PAYROLL OFFICE  
Internal Audit Report  
July 1, 2011 through June 30, 2012

GENERAL OVERVIEW

The Business Center North (BCN) Payroll Office provides payroll services to employees and institutions within the northern Nevada System of Higher Education. These services include generating payroll checks, managing individual tax withholding, deductions and contributions, and maintaining accurate payroll records. The Payroll Office is also responsible for making payroll tax deposits, filing payroll tax forms and ensuring compliance with federal and state payroll laws and regulations.

SCOPE OF AUDIT

The Internal Audit Department has completed a review of the Business Center North Payroll Office for the period of July 1, 2011 through June 30, 2012. The scope of our review included tests of the accounting records and other procedures as we considered necessary. The tests included, but were not necessarily limited to, these areas.

1. Testing employee files to ensure required documentation is maintained.
2. Reviewing procedures for processing paychecks, payroll liabilities, and wage attachments for reasonableness and adequate controls.
3. Reconciling the amount of payroll taxes paid to the supporting documentation.
4. Reviewing procedures for the preparation and processing of federal W-2 forms.
5. Reviewing access to the Human Resource Management System (HRMS) that has been provided to payroll office employees for reasonableness.
6. Testing expenditures for propriety, proper approvals and documentation.

In our opinion, we can be reasonably assured that the BCN Payroll Office is operating in a satisfactory manner. However, implementation of the following recommendations would further improve operations.

### STALE DATED CHECKS

During this review, we were informed that long outstanding and unclaimed payroll checks have not been reviewed and processed by the Controller's Office since July 2011. The procedures for dealing with these checks involves cancelling them with the bank and transferring the amount of the checks from the general payroll account to a payroll liability account in the financial accounting system. We also noted the employee that last performed this function is responsible for reconciling the payroll bank account.

We recommend unclaimed and outstanding payroll checks be reviewed and cancelled on a more frequent and consistent basis. For improved control, we also recommend that this function be performed by an employee that is not responsible for completing the bank reconciliation.

### **Institution Response**

**Correction: The existing stale dated check policy is outdated and has been re-written. The new policy assigns responsibility to an employee who does not reconcile the bank account. It is currently under review by different departments.**

**Prevention and Monitoring: Once the review is complete and policy finalized it will be put into place. We expect this to be completed by April 30, 2013.**

**Follow-up Response: The stale dated check policy is complete and responsibility has been assigned within the Controller's Office.**

## PAYROLL FILES

While conducting this review, it was observed that employee files are maintained in the payroll office in unlocked filing cabinets. The files contain sensitive information. Although the office is locked after business hours, we were informed other university employees have access to the office.

For improved control over these records, we recommend consideration be given for obtaining lockable filing cabinets in which the files could be stored and secured during non-business hours.

### **Institution Response**

**Correction: New locks were installed on all of the filing cabinets containing employee files as recommended.**

**Prevention and Monitoring: The filing cabinets are now locked at the end of each business day.**

**Follow-up Response: No changes, the corrective action was implemented as presented in the original response.**

## WAGE ATTACHMENTS

The BCN Payroll Office processes employee wage attachments when directed to do so by an official authority. When this occurs, the payroll office is required to provide notification to employees, withhold a determined amount of the employees' wages and make payments to the appropriate authorities. We reviewed the wage attachments that were processed for five employees to determine whether the above requirements were satisfied. For three employees, we were informed notification was provided to the employees by sending a copy of the notices that were received by the payroll office. There was no notation, however, in the payroll office files to indicate that the notices were sent.

We recommend the payroll office maintain a record as evidence that notification was provided. We recommend the record include the date, the name of the employee providing notification, and the manner in which notification was provided.

### **Institution Response**

**Correction:** As of October 1, 2012 a notation of the date, employee's initial and method of delivery is made on payroll's copy of the wage attachment by the payroll employee responsible for processing wage attachments. The notation is the date the employee's copy was sent to them.

**Prevention and Monitoring:** The Administrative Assistant is responsible for maintaining the record as evidence that notification was provided to the employee.

**Follow-up Response:** No changes, the corrective action was implemented as presented in the original response.

### **TERMINATIONS**

We selected a sample of 12 terminated employees and performed testing to determine whether the proper termination documentation was included in the payroll office's files and that the employees were inactivated in the Human Resources Management System (HRMS). For one employee tested, we noted a termination Personnel Action Form (PAF) was not signed by the designated authorities.

We recommend greater care be taken to ensure termination PAFs are signed by the proper authorities.

### **Institution Response**

**Correction:** The termination PAF was returned to the appropriate human resource department for proper signature and the replacement signed PAF was filed in the employee's file in payroll.

**Prevention and Monitoring:** Payroll staff will now contact the appropriate human resource office about all termination PAF's received with out proper signatures and request a new PAF with the proper authority's signature.

**Follow-up Response: No changes, the corrective action was implemented as presented in the original response.**

## **LEAVE RECORDS**

The leave records of one professional and two classified employees were reviewed to determine whether the records were accurately completed and proper record keeping procedures were followed. We noted one occasion in which a leave request form was not signed and dated by the employee requesting the leave.

We recommend leave request forms be signed and dated as required.

### **Institution Response**

**Correction: The leave request form was signed and dated by the employee requesting the leave and is in the employee's leave file.**

**Prevention and Monitoring: Employees who sign on the approval line have been reminded not to sign leave request forms that have not been signed by the requesting employee and to return the form to the requesting employee for their signature.**

**Follow-up Response: No changes, the corrective action was implemented as presented in the original response.**

## **EXPENDITURES**

A sample of 16 departmental expenditures was selected for review. The transactions were examined for proper supporting documentation and approval, reasonableness, and compliance with established purchasing policies. We noted a receipt was missing for one purchasing card transaction.

We recommend greater care be taken to ensure receipts are obtained and submitted to the Controller's Office with the purchasing card statement.

### **Institution Response**

**Correction: All payroll staff have been counseled on the importance of obtaining and submitting receipts for all items obtained with the payroll purchasing card.**

**Prevention and Monitoring: The purchasing card department is responsible for making sure receipts are attached with the purchasing card statement.**

**Follow-up Response: No changes, the corrective action was implemented as presented in the original response.**

**STATEMENT OF REVENUES AND EXPENDITURES**

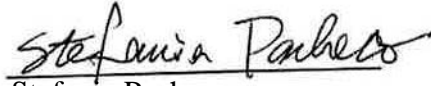
The statement of revenues and expenditures provided below is based on the activity of one state account that has been assigned to the BCN Payroll Office. The revenue and expenditure information was obtained from the financial accounting system and is provided for informational purposes only.

	State Funds
Balance, July 1, 2011	\$ <u>          -</u>
Revenues	
State Funds	<u>337,519</u>
Total	<u>337,519</u>
Expenditures	
Salaries	302,857
Operations	<u>21,699</u>
Total	<u>324,556</u>
Balance June 30, 2012	\$ <u>      12,963</u> <sup>1</sup>

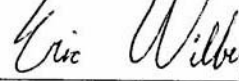
<sup>1</sup> This balance does not represent funds that were reverted to the state. The surplus was combined with the activity in the university's other state funded accounts at the end of the fiscal year.

The Internal Audit Department appreciates the cooperation and assistance received from the BCN Payroll Office during this review.

Reno, Nevada  
January 29, 2013



Stefania Pacheco  
Internal Auditor,



Eric Wilber  
Internal Auditor



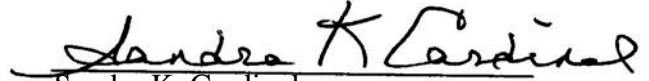
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Memorandum

**To:** Sandi Cardinal, Assistant Vice Chancellor for Internal Audit, Nevada System of Higher Education

**From:** Tom Judy

**Date:** October 24, 2013

**Subject:** BCN Payroll Office

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The purpose of this memorandum is to transmit the follow-up response from the Business and Finance Office to the audit of BCN Payroll Office for the period July 1, 2011 through June 30, 2012.

I have reviewed and concur with all responses.

cc: Marc Johnson, President  
Ronald Zurek, Vice President, Administration and Finance  
John Doetch, Payroll Manager