

Payroll

Gap Analysis:

POS identifies the following Best Practices as efficient and effective control processes for the above risk. Listed for comparison are the controls currently in place, if applicable.

| Best Practices: | Existing Control: | Control Gap: |
|---|--------------------------|---------------------|
| <i>Pervasive Controls</i> | | |
| <ul style="list-style-type: none"> ▪ Hours incurred by hourly employees are reviewed and approved by supervisors. | | |
| <ul style="list-style-type: none"> ▪ Changes to the employee master file (e.g., new employees, terminations, changes in pay rates, etc.) are made by persons who have no responsibility for computing, preparing or distributing payroll checks or payroll direct deposits. | | |
| <ul style="list-style-type: none"> ▪ Changes to an employee's labor rate in the payroll master file are based upon a change request approved by the employee's supervisor and in accordance with established guidelines. The payroll system does not accept labor rates which exceed a predefined level. | | |
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| <i>Detective Controls</i> | | |
| <ul style="list-style-type: none"> ▪ Exception reports identifying an unusually high number of hours incurred by employees are generated. Exceptions are investigated and resolved on a timely basis. The payroll system does not accept numbers of hours above a predefined level. | | |
| <ul style="list-style-type: none"> ▪ Management reviews recorded payroll expense by department as compared to budget and prior month/year actuals. | | |
| <ul style="list-style-type: none"> ▪ Total hours incurred as summarized from time cards or on-line time reporting systems are reconciled to hours processed through the payroll system. | | |

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| <ul style="list-style-type: none">▪ A payroll employee reconciles changes made to the payroll master file (i.e., pay rates, hours worked, new employees added, bank account to electronically deposit funds, etc.) to written authorization forms supplied by other departments. The payroll register is reviewed by the senior payroll department employee and the check signer prior to authorizing transfer of the funds for the payroll or the distribution of paychecks to evaluate the reasonableness of the payroll register. | | |
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