August 15, 2017

Payroll Configuration Audit

Background

There are approximately 10,000 permanent and temporary City employees being compensated through the SAP Payroll system, the total value of which amounted to $780 million in 2016. The Corporate Payroll Services Group of 14 employees is responsible for the overall coordination of Payroll services for the City and its associated Boards.

Time Entry

Time administrators enter time approved by managers in SAP for their respective department's staff. As of June 2017 there were 285 staff with time administrator access. Employees are either positive time reporters, where all hours worked are recorded; or exception time reporters, where scheduled working hours are set up as a default and only absences such as vacation and sick time are recorded. Time is recorded and entered in SAP's Cross-Application Time Sheet (CATS) by time entry personnel.

Corporate Payroll

Corporate Payroll is responsible for updating employee master data in SAP through the Employee Staff Action Forms (ESAF) processes. The Payroll team processes bi-weekly Payroll, ensures deductions are calculated accurately for various taxes, WCB and employee benefits. Employee information updates are initiated by department managers and supervisors, then reviewed by HR via an approved ESAF form and sent to Payroll for processing in SAP. Pay adjustments or terminations are processed off-cycle and occur in low frequency.

SAP HR/Payroll Support Team

The SAP HR/Payroll team consist of 9 employees and provides SAP support for CATS and the SAP HR/Payroll module. This includes implementing time entry or Payroll related upgrades and change requests and troubleshooting. SAP user administration is managed by the two person SAP Security team which grants, modifies and removes access rights based on approvals.

The accurate and timely payment of wages to employees is a key business process. Weaknesses in the Payroll process may result in inefficiencies, financial loss, and employee dissatisfaction.

Scope

The Payroll Configuration Audit objectives were to:

- Review configuration and accuracy of new rates;
- Assess time entry process effectiveness and efficiency;
- Perform data analysis of SAP time entry and Payroll information;
- Ensure confidentiality of personnel and Payroll data is maintained;
- Ensure adequate Payroll related training is provided;
- Ensure Payroll data is appropriately backed up;
- Review the process to update employee data; and
- Review access to Payroll-related information in SAP.

The review is not designed to detect fraud. Accordingly there should be no such reliance.

Conclusion

In our opinion, internal controls for the Payroll process require improvements to achieve operational effectiveness and efficiency in the areas of:

- Time entry
- Disaster recovery testing
- Documentation of rate testing

Management is aware of these items and is proactively working on the issues.