Segregation of Duties Employee Compensation

Internal Controls

- A process the provides reasonable assurance that the objectives of the institution will be achieved.

- Not one event, but a series of actions that occur throughout an institution's operations.

- An integral part of the operational processes and not a separate system.

Internal Control Responsibility

Everyone has a responsibility for internal controls

- Management–directly responsible for the design, implementation, and operating effectiveness
- Staff–help management and are responsible for reporting issues

External auditors are *not* considered part of an institution's internal control system.

Redefined Focus on Internal Control Framework Statewide

- State of Georgia adopted the "Green Book" published by the Federal Office of Management and Budget (OMB) in December 2015.

- Update standards and policies

- USG Institution management needs to ensure they understand and assess the risks and ensure they have appropriate and sufficient internal controls

- Still responsible even if function is provided by a third party (ex: Alight – Benefits Administration is outsourced but USG and individual USG institutions are still responsible for internal controls relating to that outsourced work)

Segregation of Duties

Segregation of Duties is a key component of control activities of the institution

- Assigning key duties and responsibilities to different personnel to reduce the risk of error, misuse, or fraud
- Example: one person initiates, a different person records, a different person approves, etc.

SOD/Employee Compensation/(HCMS)

Control Consideration:

Does the employee responsible for initiating modifications (e.g., add/delete employees, changes to employee information) in HCMS also have the ability to approve or record these changes?

Recommendation:

All changes to HCMS should be reviewed and approved by a supervisory-level employee (other than the employee initiating the change) in the Human Resources department prior to being recorded in the system.

SOD/Employee Compensation/(HCMS)

NOTE: Best practices suggest that no one employee should be able to record modifications to HCMS. The modifications should be initiated by one employee and reviewed and authorized in the system by a separate employee.

Compensating Controls Example:

A system report of all changes to HCMS should be generated for review. A supervisory-level employee who does not have access to modify HCMS should review this report and match the changes to approved Personnel Action Forms.

SOD/Employee Compensation/(HCMS)

Control Consideration:

Do the employees responsible for maintaining HR data in HCMS (e.g., adding/deleting employees, changes to compensation) also perform any of the following functions:

- Make decisions regarding hiring or termination of personnel
- Have access to the payroll system (or payroll module)
- Involved in the payroll process
- Generate payroll checks
- Receive payroll checks for distribution

Recommendation:

Employees responsible for modifying HR data in HCMS should not have access to the payroll system, be involved in the payroll process, distribute payroll checks or make hiring or termination decisions.

SOD/Employee Compensation/(HCMS)

NOTE: In some instances, the Human Resources module and the payroll module may be part of the same system. However, the employees responsible for processing the payroll should not have access to the Human Resources module and vice versa. For smaller institutions where one employee maintains the HR data in HCMS and processes payroll, this employee should not be able to authorize and execute the pay run (i.e., generate payroll checks) or distribute payroll checks.

Compensating Controls Example:

To enhance controls over the payroll process, the following compensating controls can be utilized:

• A supervisory-level employee who is not involved in the payroll process reviews and approves the pre-payment payroll report as well as the final payroll reports after the payroll has been processed.

• Distribution of payroll checks is conducted by a supervisory-level employee without payroll responsibilities, and checks not distributed are investigated.

• Gross wages, per the payroll journals and the general ledger, are reconciled to the W-2s.

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SOD/Employee Compensation/(HCMS)

Control Consideration:

Are employees able to review and approve their own hours worked or time entered in the timekeeping system?

Recommendation:

Hours worked should be reviewed and approved by the employee's supervisor prior to being recorded or transmitted to the payroll department.

SOD/Employee Compensation/(HCMS)

Control Consideration:

Do the same employees responsible for preparing payroll for processing also perform any of the following duties:

• Modify the Employee Master File

• Approve the payroll

• Generate payroll checks

• Distribute payroll checks

• Receive final payroll reports (e.g., payroll registers) for review and approval

NOTE: If an outside payroll service is used for payroll processing, the same employee responsible for communicating changes to payroll master file data to the outside payroll service provider should not be involved in recording the payroll entries in the general ledger, preparing payroll reconciliations or distributing payroll checks. This employee should also not receive the copies of the final payroll reports (e.g., payroll registers) from the outside payroll service.

SOD/Employee Compensation/(HCMS)

Recommendation:

The file prepared for processing payroll should be reviewed and approved by an employee who is not involved in the preparation of this payroll file or part of the human resources function.

Compensating Controls:

To enhance controls over the payroll process, the following should be considered:

• Use of an outside payroll service provider.

• Use of direct deposit instead of payroll checks.

• Perform a periodic analytical review of the payroll expense, including but not limited to budget to actual variance analysis.

• Perform an analysis of head count to revenue ratios.

SOD/Employee Compensation/(HCMS)

Control Consideration:

Does the same employee responsible for reviewing and authorizing the file prepared for processing payroll also perform any of the following functions:

• Generate payroll checks

• Distribute payroll checks

• Receive final payroll reports for review and approval

Recommendation:

A supervisory-level employee who is separate from the payroll processing and human resources functions should receive and review the payroll reports (e.g., payroll registers) and payroll checks for distribution.

SOD/Employee Compensation/(HCMS)

Control Consideration:

Are undistributed payroll checks and rejected payroll direct deposits investigated and reconciled by a supervisory employee outside of the payroll function in a timely manner?

Recommendation:

Employees not involved in the payroll or human resources function should maintain custody as well as investigate and reconcile the returned payroll checks.

SOD/Employee Compensation/(HCMS)

Control Consideration:

Does the employee responsible for recording the payroll expense entry in the general ledger perform any of the following functions:

- Modify the Employee Master File
- Prepare or authorize payroll
- Generate payroll checks
- Distribute payroll checks

Recommendation:

An employee outside of the payroll and human resources functions should post the payroll journal entry to the general ledger.

SOD/Employee Compensation/(HCMS)

Control Consideration:

Does the employee responsible for reconciling the general ledger to the payroll system also have the ability to record entries in or make adjustments to the payroll system?

Recommendation:

Reconciliations should be performed by an employee who does not have modification rights to the payroll system.

SOD/Employee Compensation/(HCMS)

Control Consideration:

When using an outside payroll service to calculate and remit payroll withholding tax, does the employee responsible for receiving the payroll tax refund checks perform any of the following functions:

• Prepare and process payroll, including but not limited to communicating changes in the payroll master file data to the outside payroll provider

• Authorize payroll

• Prepare payroll reconciliations

Recommendation:

The payroll withholding tax refund checks should not be received by an employee who is involved in the payroll process.

Auditing Within the HCMS Application

Current Practitioner User Role Review:

Run the **BOR_SEC_USER_ROLE_PLIST_PAGE**

Query by user id to see a list of roles and page access granted by a specific user id. This query will also tell you if the user has update capability to the page or if it is a view only access.

Future Query in Development:

BOR_SEGREGATION_DUTIES

This Query is being developed to help assess potential segregation of duties issues. It will mirror the one that is in GeorgiaFIRST Financials application and will be based of the segregation of duties matrix provided by the auditors.

Auditing Within the HCMS Application

SOD Matrix – Base for Query

Segregation of Duties Matrix

Column headers (1–22):
1. Create Requisition
2. Approve Requisition
3. Create PO
4. Approve PO
5. Create Voucher
6. Approve Voucher
7. Cut Check
8. Add/Edit Vendor
9. Approve Vendor
10. Bank Reconciliation
11. Enter JE
12. Approve JE
13. Custody of Cash
14. Approval of Bank Deposit
15. Post Receipts
16. Add/Edit Customers
17. TGRRCON (BANNER)
18. Hire Employee
19. Change Compensation
20. Change Benefits
21. Create Paycheck
22. HCMS Recon

Process	COSO	Procedure/Function	Grp	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
Purchasing	R	Create Requisition	1		X		*		*	X	X	X	X		*										
	A	Approve Requisition	2	X		*		*		X	X	X	X	*											
	R	Create PO	3		*		X		*	X	X	X	X		*										
	A	Approve PO	4	*		X		*		X	X	X	X	*											
	R	Create Voucher	5		*		*		X	X	X	X	X		*										
	A	Approve Voucher	6	*		*		X		X	X	X	X	*											
	C	Cut Check	7	X	X	X	X	X	X		X	X	X	X	X										
	A	Add/Edit Vendor	8	X	X	X	X	X	X	X		X													
	A	Approve Vendor	9	X	X	X	X	X	X	X	X														
Reconciliation	RX	Bank Reconciliation	10	X	X	X	X	X	X	X				*	X	X	X	X					X		
Journal Entry	R	Enter JE	11		*		*		*	X			*		X	X	X	X							
	A	Approve JE	12	*		*		*		X			X	X		X	X	X							
Cash Receipts	C	Custody of Cash	13										X	X	X		X	X	X	X		X	X	X	
	A	Approval of Bank Deposit	14										X	X	X	X		X	X	X					
	R	Post Receipts	15										X	X	X	X	X		X	X					
	A	Add/Edit Customers	16													X	X	X		X					
	RX	TGRRCON (BANNER)	17													X	X	X	X						
Emp Comp	A	Hire Employee	17																			X	X	X	X
	R	Change Compensation	18													X					X			X	X
	R	Change Benefits	19													X					X				X
	C	Create Paycheck	20													X					X	X			X
	RX	HCMS Recon	22																		X	X	X	X	

Column group labels (bottom): Purchasing (1–9), Recon (10), Journal Entry (11–12), Cash Receipts (13–17), Employee Comp (18–22)

COSO Category

R	Record
A	Authorize
C	Custody
RX	Reconcile

SOD Risk Level

X	Elevated Risk
·	Low Risk

Auditing Within the HCMS Application

BOR_SEGREGATION_DUTIES

This query is also based on the points discussed by Claire at the beginning of the presentation. If a user is returned in the results of the query, then there needs to be an evaluation of that user to see if there is a true segregation of duties issue.

If there is a segregation of duties issue noted, there needs to be mitigating controls in place or the user's security access needs to be updated to remove the risk.

Auditing Within the HCMS Application

BOR_SEGREGATION_DUTIES

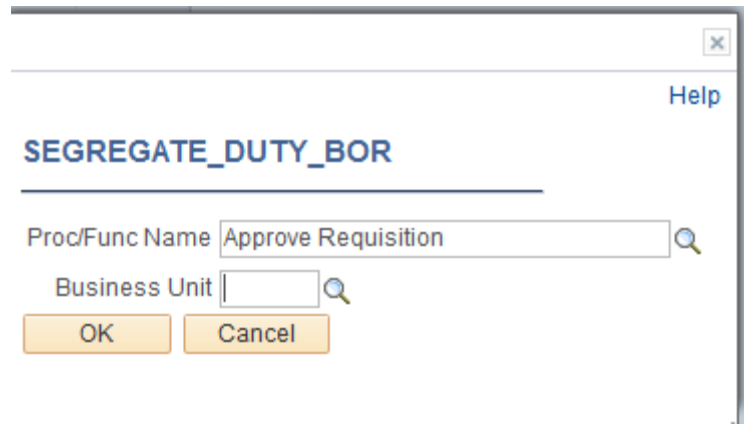Example of Query in GeorgiaFirst Financials:

Instead of Vendor, PO, Requisition, you would see items like Time Entry, Time Approval, Process Payroll, Reconcile GL, etc. Users will choose a function to evaluate here.

Auditing Within the HCMS Application

BOR_SEGREGATION_DUTIES

Example of Query in GeorgiaFirst Financials:

For this example, we chose Approve requisition. This query is run by company in HCMS.

Auditing Within the HCMS Application

Example of Query in GeorgiaFirst Financials:

Proc/Func Name = Approve Requisition,Business Unit=98000

View All | Rerun Query | Download to Excel | Download to XML   First ◀ 1-64 of 64 ▶ Last

	ACTIONNAME	User ID	Unit	Create Req Role	Approve Req Role	Create PO Role	Approve PO Role	Create Voucher Role	Approve Voucher Role	Cut Check Role	Add/Edit Vendor Role	Approve Vendor Role	Bank Recon Role	Enter JE	Approve JE
1	Approve Requisition	ALLOYD	98000	BOR_EP_MAINT_REQ_SCI											
2	Approve Requisition	ATHOMAS	98000	BOR_EP_MAINT_REQ											
3	Approve Requisition	ATHOMAS	98000	BOR_EP_MAINT_REQ_SCI											
4	Approve Requisition	BBROWN	98000	BOR_EP_MAINT_REQ_SCI											
5	Approve Requisition	BNORWOOD	98000	BOR_EP_MAINT_REQ											
6	Approve Requisition	CDAVIDSON	98000	BOR_EP_MAINT_REQ_SCI											
7	Approve Requisition	CEVANS	98000	BOR_EP_MAINT_REQ_SCI								BOR_PO_VENDORS_MAINT				
8	Approve Requisition	CPICKENS	98000	BOR_EP_MAINT_REQ_SCI											
9	Approve Requisition	DHICKEY98	98000	BOR_EP_MAINT_REQ						BOR_AP_PAYCYCLE_APPROVE					
10	Approve Requisition	DHICKEY98	98000									BOR_PO_VENDORS_APPROVE			

You will notice that there are a few user ids returned. This doesn't automatically mean there are SOD issues. An evaluation of each user must be completed. In the Financials Application there are more user preference type actions, that have to be taken into account. A user may have access to a page, however if they don't have the action, they can't update the page.

Auditing Within the HCMS Application

The above query does most of the role reconciliation for you.   However it is important to understand what each role within the application has access to.

Through Employee Self Service, an employee can enter and submit their timesheet, however, a Manager with Manager Self Service has to approve it.

The **BOR HR Employee Maintenance** role contains access to Hire an employee, update dependent data, update Badge information, calculate compensation on Job, Maintain Bank Accounts, Manage Hire Details, create a new employment instance, etc… This is the person that controls the JOB record and updating it within the application.

Managers within Manager Self Service can request a new hire, and it will route through workflow for approval. Once approved, then someone with the above role will still have to key the transaction within the database.

Auditing Within the HCMS Application

The **BOR Payroll Data Maintenance** role contains access to Create Additional Pay, Create General Deductions, Request Direct Deposit, Retro Pay Calculation Results, Update Tax Distribution, etc… A person that has this role, should not have the BOR HR Employee Maintenance Role.

Auditing Within the HCMS Application

Process	Control Considerations	Recommendation	Examples of Compensating Control	
Human Resources	Does the employee responsible for initiating modifications (e.g., add/delete employees, changes to employee information) to the Employee Master File also have the ability to approve or record these changes?	All changes to the Employee Master File should be reviewed and approved by a supervisory-level employee (other than the employee initiating the change) in the Human Resources department prior to being recorded in the system. NOTE: Best practices suggest that no one employee should be able to record modifications to the Employee Master File. The modifications should be initiated by one employee and reviewed and authorized in the system by a separate employee.	A system report of all changes to the Employee Master File should be generated for review. A supervisory-level employee who does not have access to modify the Employee Master File should review this report and match the changes to approved Personnel Action Forms.	BOR HR EMPLOYEE MAINTENANCE - has access to change Employee Master File. The supervisor level employee who reviews the report and matches the changes to approved PAF should not have this the BOR HR EMPLOYEE MAINTENANCE role.
Human Resources	Do the employees responsible for maintaining the Employee Master File (e.g., adding/deleting employees, changes to compensation) also perform any of the following functions: • Make decisions regarding hiring or termination of personnel • Have access to the payroll system (or payroll module) • Involved in the payroll process • Generate payroll checks • Receive payroll checks for distribution	Employees responsible for modifying the Employee Master File should not have access to the payroll system, be involved in the payroll process, distribute payroll checks or make hiring or termination decisions. NOTE: In some instances, the Human Resources module and the payroll module may be part of the same system. However, the employees responsible for processing the payroll should not have access to the Human Resources module or the Employee Master File and vice versa. NOTE: For smaller companies where one employee maintains the Employee Master File and processes payroll, this employee should not be able to authorize and execute the pay run (i.e., generate payroll checks) or distribute payroll checks.	To enhance controls over the payroll process, the following compensating controls can be utilized: • A supervisory-level employee who is not involved in the payroll process reviews and approves the pre-payment payroll report as well as the final payroll reports after the payroll has been processed. • Distribution of payroll checks is conducted by a supervisory-level employee without payroll responsibilities, and checks not distributed are investigated. • Gross wages, per the payroll journals and the general ledger, are reconciled to the W-2s.	BOR HR EMPLOYEE MAINTAENANCE - has access to change Employee Master File. BOR PAYROLL DATA MAINTENANCE - has access to process payroll. Employee should not have these two roles.
Time Entry	Are employees able to review and approve their own hours worked or time entered in the timekeeping system?	Hours worked should be reviewed and approved by the employee's supervisor prior to being recorded or transmitted to the payroll department.		Employee roles are dynamically assigned. Time is approved by TL approver prior to payroll via the TL security row.

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Auditing Within the HCMS Application

Payroll	Does the same employee responsible for reviewing and authorizing the file prepared for processing payroll also perform any of the following functions: • Generate payroll checks • Distribute payroll checks • Receive final payroll reports for review and approval	A supervisory-level employee who is separate from the payroll processing and human resources functions should receive and review the payroll reports (e.g., payroll registers) and payroll checks for distribution.		BOR HR EMPLOYEE MAINTAENANCE - has access to change Employee Master File. BOR PAYROLL DATA MAINTENANCE - has access to process payroll. Employee should not have these two roles.
Payroll	Are undistributed payroll checks and rejected payroll direct deposits investigated and reconciled by a supervisory employee outside of the payroll function in a timely manner?	Employees not involved in the payroll or human resources function should maintain custody as well as investigate and reconcile the returned payroll checks.		Employees in this role should not have the BOR PAYROLL DATA MAINTENANCE or BOR HR EMPLOYEE MAINTENANCE roles.
Payroll	Does the employee responsible for recording the payroll expense entry in the general ledger perform any of the following functions: • Modify the Employee Master File • Prepare or authorize payroll • Generate payroll checks • Distribute payroll checks	An employee outside of the payroll and human resources functions should post the payroll journal entry to the general ledger.		BOR PAYROLL DATA MAINTENANCE - prepare or authorize payroll, generate payroll checks, distribute payroll checks. BOR HR EMPLOYEE MAINTENANCE - modify the employee master file The below three roles are responsible for reconciling the general ledger to the payroll system: BOR CA BUDGET DISTRIBUTION BOR CA PROCESSING BOR CA RETRO PROCESSING An employee with the BOR PAYROLL DATA MAINTENANCE or BOR HR EMPLOYEE MAINTENANCE ROLE should not have any of the BOR CA roles.
Payroll	Does the employee responsible for reconciling the general ledger to the payroll system also have the ability to record entries in or make adjustments to the payroll system?	Reconciliations should be performed by an employee who does not have modification rights to the payroll system.		BOR PAYROLL DATA MAINTENANCE - record entries in or make adjustments to the payroll system. The below three roles are responsible for reconciling the general ledger to the payroll system: BOR CA BUDGET DISTRIBUTION BOR CA PROCESSING BOR CA RETRO PROCESSING An employee with the BOR PAYROLL DATA MAINTENANCE should not have any of the BOR CA roles.

Payroll Audits – Calc Day

Audit Name	Description
BOR_PAY_LN_AUDIT	Audit shows if user made changes to his/her own pay line.
BOR_ADDITIONAL_PAY_AUDIT	Audit shows if user made changes to his/her additional pay.
BOR_HR_COMPRATE_AUDIT	Audit shows if user made changes to his/her comp rate in job data.
Excel to CI TOAD script	Audits additional pay being loaded via Excel to CI.

Payroll Audits – Confirm Day

Audit Name	Description
BOR_PAY_LN_AUDIT	Audit shows if user made changes to his/her own pay line.
BOR_PAY_LN_SUPPORT_AUDIT	Audit shows if SSC/ITS operators made changes to his/her employee pay line.
BOR_ADDITIONAL_PAY_AUDIT	Audit shows if user made changes to his/her additional pay.
BOR_ADDL_PAY_SUPPORT_AUDIT	Audit shows if SSC/ITS operators made changes to his/her employee additional pay tables.

Payroll Audits – Confirm Day

Audit Name	Description
BOR_HR_COMPRATE_AUDIT	Audit shows if user made changes to his/her comp rate in job data.
BOR_HR_COMPRATE_SUPP_AUDIT	Audit shows if SSC/ITS operator made changes to his/her employee comp rate in job data
BOR_PAY_DED_SUPPORT_AUDIT	Query shows if SSC/ITS operator made changes to his/her own paycheck via deduction override.

Payroll Audits – Confirm Day

Audit Name	Description
BOR_PAY_EARN_SUPPORT_AUDIT	Audit shows if SSC/ITS operator made changes to his/her own pay earnings
Excel to CI TOAD Script #1	Audits additional pay being loaded via Excel to CI.
Excel to CI TOAD script #2	Audits to see if operator made changes to his/her own pay using other Earnings Tables via Excel to CI.

Questionable Items Found in Audit

- Payroll is completely stopped

- No one is paid

- …… Just kidding

Questionable Items Found in Audit

Questionable Items Found in Audit

- SSC payroll is notified immediately
- Audit findings are researched with institution
- Payroll is adjusted as needed
- Institution is educated on SOD
- SSC enters case for tracking purposes