

## **PAYROLL PROCESS**

### **BACKGROUND**

The City of Tampa employs approximately 4,000 people. Employees are generally paid on a bi-weekly basis with two groups receiving pay on alternate weeks. The remainder are paid on a weekly basis. The payroll process audit reviewed the controls surrounding this function.

### **SCOPE**

The payroll system that was effective as of January 31, 1996.

### **STATISTICS**

The weekly payroll for the City is approximately \$2 million.

### **PLANNING**

1. Prepare an entrance letter and send it to the Finance Director and Chief Accountant.
2. Review the Mission and Management Statement, City Code, and City Charter.
3. Arrange and hold a meeting with department managers. Obtain an organization chart, discuss the objectives of the audit and arrange for a payroll contact person. Document the meeting.
4. Conduct a preliminary survey to obtain an understanding of the payroll process and functions under audit.
5. Provide a copy of the survey for the auditee to review, making any necessary corrections in order to obtain agreement as to how basic processes work.
6. Perform a risk analysis of the area, listing potential weaknesses and established internal controls that would reduce the risk. List compensating controls that may also limit potential risks.
7. Based on the risk analysis, and preliminary survey work, discuss any weaknesses noted with the Auditee, and the Audit Supervisor. Complete an RAF on remaining findings.
8. Prepare the audit program with a time budget for each audit step.
9. Submit work papers and audit program to the Audit Supervisor for review.
10. Clear review notes and make changes, if any.

### **OBJECTIVE # 1**

Determine if the controls over the payroll process are adequate, in place and working.

11. Review the payroll process and document control points to ensure only current or retired City employees receive payments.
12. Discuss any weaknesses noted with central payroll personnel.
13. Summarize and conclude.

## **OBJECTIVE # 2**

Determine if documentation to support payroll record changes were in compliance with city policy and directives.

14. Using the random number generator select five payroll clerks.
15. Select no more than ten records with changes during the scheduled week for the pay period ending January 27, 1996 per department/division.

Note: Each department and major division has its own payroll clerk. Small departments share a payroll clerk.

16. Review supporting documents for all changes noted.
17. Discuss any discrepancies with department and central payroll personnel.
18. Summarize and conclude.

## **WRAP-UP**

19. Complete the audit file (indexing, narratives, conclusions on tests, and etc.).
20. Prepare a draft of the audit report.
21. Schedule time to be available to assist the Audit Supervisor and /or Audit Manager in reviewing the audit file and report.
22. Send draft of report to auditee with instructions.
23. Schedule exit conference with senior auditee management.
24. Prepare the final report containing auditee responses.
25. Arrange for printing and distribution of the final report.
26. Update the permanent file.