

Internal Payroll Procedures Payroll Risk and Control Analysis

The following is a listing of practical guide to payroll control objectives that help ensure risks are properly minimized.

Reliability of Information

- Employee record changes are properly authorized and accurately recorded – all require the employee's signature or their acknowledgement
- All payroll costs are accurately calculated from authorized sources and recorded on a timely basis.
- Recorded payroll balances are substantiated.
- Recorded payroll balances are evaluated.
- All payroll disbursements are accurately processed and recorded on a timely basis.
- Payroll changes, costs, and disbursements are reliably processed and reported.
- Performance measures used to control and improve the process are reliable.
- Detection of unauthorized adjustments to the payroll activity and withholding accounts after distribution
- Detection of duplicate payments
- Detection of collusion
- Detection of phantom employees
- Detection of manipulation of earned benefit time

Operational effectiveness and Efficiency

- The county has a standardized set of internal policies for processing payroll
- Departmental procedures are clearly documented for all major payroll functions and cutoff procedures
- Segregation of payroll duties and activity within the various payroll functions
- Payroll disbursements and critical records are safeguarded.
- Payroll withholdings are properly accounted for and properly distributed
- Payroll is processed in a cost-effective manner.
- Payroll is distributed in a cost-effective manner.
- A quality payroll service is provided to employees.
- All payroll distributions are properly budgeted
- Electronic payroll deposits are handled timely and efficiently

Compliance With Laws and Regulations

- The county complies with payroll laws and regulations.
- The county complies with taxation withholding requirements.

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Payroll Preparation and Security

- Is a payroll master file maintained which includes all employees. The file should contain all information concerning current pay rates, withholding deductions, tax codes, etc.
- Are procedures established to physically secure and protect master file information. Changes should be restricted to properly authorized additions, deletions and changes which are supported by documentation in the employee's personnel file.
- Are only authorized personnel allowed access to the Payroll department and its records
- Is the Payroll department promptly and formally notified of the termination or transfer of any employee or of payroll changes so that payroll records can be adjusted
- Do non-exempt employees submit on a timely basis, time cards, time sheets or other authorized recording media before payroll processing is performed, either electronically or manually
- Do department managers compare actual payroll costs to budgeted costs for reasonableness
- Are all payroll disbursement accounts reconciled on a monthly basis by someone without any responsibility for the payroll cycle