

# **Payroll Audit**

**Board of County Commissioners  
&  
Clerk of the Circuit Court**

**April 2007**



**Report by  
Internal Audit Division  
Clerk of the Circuit Court**

**Betty Strifler**  
Clerk of the Circuit Court  
Citrus County



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April 25, 2007

The Honorable Betty Strifler  
Clerk of the Circuit Court

Dear Mrs. Strifler:

We have completed the Payroll Audit for the Board of County Commissioners (BOCC) and the Clerk of the Circuit Court. The purpose of this audit was to evaluate the controls and operations relative to processing and reporting payroll transactions.

The audit period covered the period from October 1, 2003 through April 30, 2006. Several items beyond the scope of the audit period that were reviewed are included. Discussion points regarding this audit are listed, along with Recommendations for Improvement, and Managements' responses (Exhibits A and B). Other minor matters that have no material effect on operations were discussed with Management.

We thank management and staff in the BOCC Human Resources Office, the Clerk's Human Resources Division, and the Clerk's Finance Division for their cooperation and assistance during this audit.

Brenda Fontenot  
Internal Auditor

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## ABBREVIATIONS

ACL – Audit Command Language  
BOCC – Board of County Commissioners  
FRS - Florida Retirement System  
HR – Human Resource  
IS – Information Services  
VFF – Volunteer Firefighter

## **EXECUTIVE SUMMARY**

We have conducted the Payroll Audit of the Board of County Commissioners and the Clerk of the Circuit Court. The audit period primarily covered fiscal year 2004 through December 31, 2005. The targeted payroll date selected for testing was April 28, 2006. The review of casual labor transactions covered fiscal year 2004 through December 2006.

Other than the recommendations for improvement, controls over the processing of regular employees, the processing and reporting of various payroll transactions and the maintenance of the payroll records were adequate and operating effectively.

Controls over the casual labor process need improvement:

1. The BOCC Human Resources database and the Pentamation database maintained by Finance contained discrepancies.
2. Board policy for terminating “on-call” casual labor employees at the fiscal year end and re-hiring at the beginning of the next fiscal year creates additional administrative costs.
3. Eight BOCC casual labor employees exceeded the six consecutive calendar month rule established by the Florida Retirement System (FRS).
4. Finance Pentamation data did not match BOCC casual labor personnel action forms.
5. Casual labor personnel action forms terminating employees should be submitted immediately to Clerk Finance, and timely processed by Payroll.

Results of the audit procedures performed materially satisfied the objectives of this review.

## **BACKGROUND**

The Clerk Finance Department processes payroll for the BOCC, the Clerk of the Circuit Court (Clerk), and the Supervisor of Elections. The BOCC HR office and the Clerk's Human Resources (HR) Division coordinate employee payroll-related functions with the Finance Department's Payroll Division.

Kronos Workforce Central, a web-based software, manages time and attendance, work schedules, and provides management with reporting tools for decision making. Employees' time and attendance uploads into the Pentamation software, which processes the payroll checks and vouchers, and generates payroll reports, payroll journals, and registers.

Because of remote locations and cost constraints of installing equipment, employees in Road Maintenance, Wastewater treatment facilities, several Libraries, Transportation, Grounds Maintenance, and Fleet use badge readers to record time and attendance. Badge readers installed near the front door and on the second floor in the Lecanto Government Building may also be used by any employee if a server is not operational or computers are down. The Elections office utilizes a badge reader for casual laborers, or in the event of computer system interruptions.

Other responsibilities for the Finance Department include compliance with payroll tax regulations, reporting requirements, Board and Clerk policies and procedures, timely remittance of payments (taxes, deductions, and fringe benefits) to outside agencies, and maintaining the payroll database.

## **SCOPE AND OBJECTIVES**

The audit period primarily covered fiscal year 2004 through December 31, 2005. The targeted payroll date selected for testing was April 28, 2006. Due to the hiring, terminating, and re-hiring of casual labor employees, this audit covered casual labor personnel action forms extending through fiscal year 2007.

The objectives of this audit were to determine:

1. adequacy of internal controls relative to data integrity, error detection, segregation of duties, and restricted access to properly authorized employees.
2. compliance with policies, procedures, applicable laws and regulations.
3. payroll calculations and deductions are complete, accurate and valid.
4. payments to employees and outside parties are complete, accurate, timely and valid.
5. payroll tax returns are complete, accurate, and filed timely.

The audit is a tool to assist management in the evaluation of the organization's internal controls, established policies, procedures, and operations. This audit is not designed to appraise the performance of management.

## **METHODOLOGY**

The documentation and records examined during this internal audit included Florida Retirement System regulations, Social Security Administration information, Internal Revenue Service publications, BOCC employee handbook, policies and procedures, bank reconciliations, bank deposit records, quarterly payroll tax returns, journal vouchers, W-2 reports, casual labor personnel action forms, general ledger transactions, payroll deduction registers, and employee files maintained by the payroll department.

Interviews were conducted with the payroll department to understand the payroll processes.

A sample of 60 BOCC employees' payroll checks issued on 4/28/06, along with 99 Clerk employees' checks were reviewed. Payroll authorization forms and W-4's in the employees' files were verified to determine deductions and allowances were authorized and accurate. Taxes were recalculated, and Social Security numbers recorded in Pentamation were verified with the copy of the employee's card maintained in the payroll file.

Additional audit procedures included reviewing and analyzing computer generated payroll reports, time sheets, internal controls, security access, overtime hours worked, position control, casual labor personnel action forms, reconciling quarterly tax reports with payroll data and W-2s; and verifying that payroll deductions and taxes were calculated appropriately, authorized, and remitted to outside agencies.

## **Discussion Point 1 - Internal Controls**

### **A. Data integrity**

Information in Kronos automatically uploads into Pentamation Payroll Module. To validate accuracy and completeness, a pre-calc payroll report produced by Pentamation compared to the Kronos output report provides assurance that each pay run is correct.

Data from audit reports generated by ACL (Audit Command Language - an audit software program) were traced back to the original source documents—payroll deduction registers, payroll journals, and W-2's. There was no evidence to indicate unauthorized changes were made to payroll data.

### **B. Segregation of duties**

#### **BOCC - Implementation of Pentamation software by the BOCC HR for tracking employee data would benefit HR and Finance.**

In order to maintain a proper segregation of duties, the Clerk's HR office enters a newly-hired employee's information into Pentamation, but does not have security access to input payroll data. Upon receipt of the payroll forms and documentation, the Payroll Senior Accountant enters the payroll data.

Once the payroll has been prepared and all reports generated, the Finance Director reviews the payroll journals and initials.

In the absence of the Payroll Senior Accountant, the Assistant Finance Director and several accountants serve as backup. The payroll task outlines, updated in 2006, appear adequate in providing the necessary instructions for completing the payroll process.

The Board and Clerk employees' payroll files reviewed contained adequate supporting documentation relative to withholdings, deductions, and personnel action requests. Employees reviewed appear to be bona fide employees without exception.

The BOCC HR office maintains a separate database for employees. The BOCC HR does not utilize Pentamation for personnel activity tracking, but does have security access to query employee payroll data, personnel data, run payroll reports, and numerous position status reports. Upon hiring an employee, BOCC HR transmits the appropriate papers to the Payroll Senior Accountant, who then enters the data into Pentamation.

On April 19, 2007, the BOCC HR Director, the BOCC HR Coordinator, the HR Associate, the Assistant Finance Director, and the Payroll Senior Accountant met to discuss the possibility of the BOCC HR office using the Human Resources module in Pentamation for database maintenance. Since the employee who wrote the program currently in use submitted his resignation, effective

April 27, 2007, a transition to Pentamation would not only benefit the BOCC HR operations, but further strengthen the internal controls.

To maintain proper segregation of duties, the Payroll Senior Accountant should not have access to setup or edit employee information.

### **BOCC Recommendation**

Due to the timing of the release of this audit report, and to BOCC HR's urgency to resolve their software issue, a course of action may have been determined. If a decision is pending, however, HR management should consider utilizing Pentamation to maintain and track employee data. This would eliminate duplication of effort, strengthen internal controls, improve data accuracy, and provide greater database security.

### **BOCC Response**

The Human Resources office concurs with the recommendation of converting our data base to the Pentamation system. We have already had some preliminary discussion with the payroll functions within the Clerk's Office concerning issues and concerns. I am fairly comfortable with the idea that the database can be converted and operational with a minimum of error and time. We hope to have this conversion completed by October 1, 2007.

### **Finance Department Response**

The Finance Department concurs that there are many benefits to be gained in consolidating the Board's HR database with the Pentamation database. We are in discussions with the Board Human Resources department regarding this option. Should all parties decide on this course of action, we will review and adjust our policies and procedures, where necessary, to continue to provide reasonable assurance that we can meet our objectives of effective and efficient payroll operations, reliable financial reporting and compliance with applicable laws and regulations.

## **C. Error detection**

### **CLERK - Dates in Pentamation do not match the personnel action request forms.**

Maintenance reports that document changes to employee payroll information are reviewed by another accountant in the Finance Department. In comparing data from 99 Clerk's employees' files, 135 BOCC sampled casual labor personnel action forms and 269 samples of BOCC terminated employees with Pentamation records, we noted seven instances in which the hire date, termination dates, or change in status date did not match the personnel action request forms.

### **Clerk - Finance Recommendation**

A discussion with the Payroll Senior Accountant disclosed that various accountants had assisted with data input over the last few years. Payroll recently acquired an accountant to assist part-time with the payroll function and to serve as backup.

To strengthen the review control, management should re-emphasize the importance of data accuracy by utilizing a checklist in conjunction with a task outline, or through a special training session.

### **Finance Department Response**

We agree. The payroll maintenance task has been confined to two fully trained employees, the Payroll Senior Accountant and an Accountant. A third Accountant, who previously processed payroll, now checks the maintenance. The Payroll Senior Accountant is developing the recommended checklist for use in both entering changes and checking the maintenance.

#### **D. Restricted access**

##### **CLERK – Security access controls should be modified when employee duties change.**

Access to data should correspond to the duties assigned to employees performing payroll functions. A review of the Security Access List for the Clerk's Human Resource payroll module indicated that no one other than payroll employees could data input payroll changes.

A review of the Security Access List for the Board's Human Resource payroll module disclosed inappropriate access for four employees.

Upon notification, the Assistant Finance Director made the appropriate security changes.

### **Clerk - Finance Recommendation**

To ensure personnel responsibilities match the security access, management should review the Security Access List on a monthly basis. Management should utilize the payroll maintenance report as a tool to determine any necessary changes.

Additionally, the Clerk's and the BOCC's HR offices should continue to notify Finance when an employee's status or position changes.

### **Finance Department Response**

The Assistant Finance Director will review the Pentamation security resources of all employees on a monthly basis and make necessary modifications. This review will extend to all security resources, not just those regarding payroll and personnel functions. While this review has been performed periodically in the past, there was no set schedule. We agree that performing this on a monthly basis will strengthen internal controls.

## **Discussion Point 2 - Disaster Recovery & Business Continuity**

Disaster recovery and business resumption plans provide for the recovery of business applications in the event of a disaster or unexpected interruption of operations. The Clerk's Information Systems (IS) Division performs a backup of both the Clerk and Board financial databases each evening.

These databases are exported to the Ocala disaster recovery server across a secure Internet VPN using Watchguard Firebox Firewall and Watchguard SOHO appliance.

In addition to the Ocala backup system, backup tapes created each evening are stored in a local bank.

Periodically, Finance and the Clerk's IS personnel test the Clerk's disaster recovery plan. In July 2006 during extensive testing, paychecks were issued using the Ocala backup server. Test results provided conclusive evidence that this alternative system functions adequately.

### **Finance Department Response**

The Clerk's Information Systems Division and the Finance Department perform multiple simulations each year to ensure that backup systems perform adequately and that responsible personnel are trained and comfortable in performing their duties. We take this responsibility very seriously, as we recognize the critical nature of our role in ensuring that the business of the County continues in the event of a disaster.

### **Discussion Point 3 - Florida Retirement System (FRS)**

#### **CLERK – FRS contributions for several employees were not remitted on a timely basis.**

Florida Statute 121 states that any employee filling a full-time or part-time regularly established position in a local agency becomes a compulsory member of the FRS. The FRS Employer Handbook states this employee shall be enrolled on the first day of employment. Retirement contributions are due and payable no later than the fifth working day of the month following the month in which wages are paid. Any contributions not received by the due date are charged a one percent (1%) delinquent assessment.

A test was performed to determine that retirement contributions to the FRS were made on behalf of the employees. In the Clerk's payroll, four instances occurred in which the code 200 (which automatically calculates the correct retirement amount based on a percentage of employee's pay) had not been setup in the employee's payroll data information. Therefore, contributions for these employees were not paid on a timely basis. Payments for one employee hired in January 2005 were not remitted until September 2, 2005.

Upon discovery, this matter was discussed with the Assistant Finance Director, who took immediate action to correct the delinquency. Retirement contributions for these employees were remitted to FRS on the October 06 report.

No exceptions were noted in a review of the Board's retirement contributions for the regular employees. Some exceptions were noted, however, during a review of the casual labor employees, as outlined in Discussion Point 4B.

### **Clerk – Finance Recommendation**

During the audit, at the request of Payroll, the Clerk’s HR office revised the cover sheet on the new hire packet to include a section for enrolling an employee in FRS. To strengthen this control, a monthly report, listing newly-hired eligible employees, should be compared to the monthly FRS report to determine accuracy, ensure compliance, and eliminate delinquent assessments. This step could be added to the recommended checklist discussed in Clerk – Finance Recommendation, Discussion Point 1C, Internal Controls.

### **Finance Department Response**

We agree. The revised cover sheet is proving very effective for the Clerk’s new hires. To strengthen this control and to extend coverage to the Board new hires, as well as encompassing all of the usual benefits and deductions, we have written a report that will generate a listing of all new hires and their respective deduction/benefit codes. This will be reviewed biweekly as part of the payroll maintenance process.

## **Discussion Point 4 –Casual Labor Employees**

### **BOCC**

#### **A. Recordkeeping discrepancies and noncompliance with BOCC casual labor policies occurred.**

Due to a previous audit finding stating BOCC payroll practices regarding casual labor personnel were not in compliance with Administrative Regulations or the Department of Management Services, Retirement Division, Internal Audit conducted an extensive review of the BOCC casual labor personnel action forms. Data from these forms were compared with the electronic casual labor database file provided by the BOCC HR office on October 26, 2006, and with the information recorded in Pentamation.

Examination of approximately 135 casual labor personnel action forms for the period FY 04 through December 06 disclosed the following:

- a. Eleven employees hired in 2006 were not recorded in BOCC HR’s current database as of 10/26/06. Of these eleven, six were rehired on 10/1/06--director approval dates were 11/27/06 and 11/29/06—almost two months later.
- b. Three employees hired over three years ago as Hazmat Specialists were not on the BOCC HR’s current database.
- c. One employee listed as a clerk typist on the action form was listed as a bus driver on the BOCC HR’s current database.
- d. Data for one volunteer firefighter (VFF) recorded in the BOCC HR Firefighters database could not be located in Pentamation.

- e. One active VFF in Pentamation was not listed in the BOCC HR Firefighters database.
- f. Employee numbers for two VFFs recorded in the BOCC HR Firefighters database did not match the Pentamation employee numbers.
- g. A total of nineteen volunteer firefighters hired in FY 05 were not terminated on 9/30/05. Terminations for twelve VFFs were dated March 6, 2006; seven forms were dated August 14, 2006.
- h. Three “on-call” casual laborers hired in FY 06 were not terminated at fiscal year end; and one “on-call” casual laborer hired in November 2005 was not terminated on 9/30/06.

**BOCC Recommendation- Discussion Point 4A**

1. Because of the discrepancies between BOCC HR records and Pentamation records maintained by Finance, periodic reviews of records contained in these databases should be performed to insure completeness and accuracy. This duplication of effort could be eliminated if BOCC HR converts to Pentamation to maintain their employee database.
2. The BOCC departments/offices/divisions hiring and terminating casual laborers should finalize and submit the casual labor action forms to BOCC HR as soon as possible. For emergency and insurance purposes, BOCC HR and Risk Management should be aware that an employee has commenced working.

Failure to process casual labor action forms in a timely manner results in inaccurate, incomplete records in HR, Payroll, and creates unnecessary administrative efforts to track the paperwork.

**BOCC Response**

1. The conversion from our data base to the Pentamation system should result in the elimination of the mismatches between the databases.
2. Administrative Memorandum (AM) 99-01 “Casual Labor” is being revised as Administrative Memorandum 07-02 and addresses the timeliness issue concerning action forms. New casual labor employees will not start until the forms are received in the Human Resources Office. This AM will also address the issue of the 180 day and restate it as not more than six consecutive months. A draft of the new AM is attached to this response (Exhibit C).

**B. Noncompliance of Florida Statute Section 121.021, Florida Retirement System (FRS), occurred.**

Eight casual labor employees exceeded the six consecutive calendar month period established by FRS and BOCC policy.

The BOCC casual labor policy defines a casual labor worker as one who works a position for a specific amount of time for which no regular position exists (i.e., budgeted position); temporarily replaces an employee on an approved leave of absence; or performs seasonal or intermittent work. This worker receives no benefits and cannot exceed 180 days from date of hire.

The FRS rules state a temporary position in a local agency will not exist beyond six consecutive calendar months. Chapter 1 of the FRS Employer Handbook, page 1-7, states if a position exists beyond six consecutive months, it is a regularly established position. “For retirement purposes, a position that exists for any part of a month is considered to be in existence for the entire month.”

Marvin Cloud, Management Review Specialist, Audit Section of the Florida Division of Retirement explained the first day the employee works becomes month one—even if that employee works just one day:

1. For example, an employee begins work on January 31 – month 1; February through June are months 2 through 6. Employee should be terminated on June 30.
2. An incorrect method of counting would be January 31 – February 28 – month 1; March – month 2; April – month 3; May – month 4; June – month 5; July – month 6. A July termination date exceeds the six-consecutive months criteria.

Terminating an employee on September 30 and rehiring the following month does not negate the six consecutive month application.

#### **BOCC Recommendation- Discussion Point 4B**

1. Replace “for a period not to exceed 180 days” in the BOCC Employee Handbook, Section One, Employee Categories, Casual (not on-call), with “for a period not to exceed six consecutive calendar months.”
2. Notify all department, office and division directors of the change to ensure casual labor employees do not inadvertently exceed the six consecutive calendar months requirement.
3. Monthly reports containing a list of employees who are entering their six consecutive month of employment should be generated and distributed to the various departments, offices, and divisions. This “alert” would assist in complying with the FRS rules, thus resulting in potential monetary savings.

#### **BOCC Response**

The issuing of the new Administrative Memorandum and conversion to the Pentamation system should be sufficient to rectify both of these notations.

#### **Clerk Finance Recommendation - Discussion Point 4B**

Finance should contact FRS to determine whether retroactive earnings adjustments should be reported for the eight casual labor employees who exceeded the six consecutive calendar months’ requirement.

#### **Finance Department Response**

Finance will follow the auditors recommendation.

**C. Revising the On-Call Casual Labor policy would reduce workload.**

“On-call” casual labor workers may be called to work unexpectedly for brief periods of time and may work for more than six consecutive calendar months, as long as the workers do not have regularly established work schedules. Their employment ceases when the purpose for being called is satisfied, and their use is not routinely planned and very short-term.

Board policy currently requires termination of “on-call” casual laborers at the end of each fiscal year. Mr. Cloud stated this process of terminating “on-call” casual laborers at fiscal year end was a BOCC policy, and not mandated by the FRS.

**BOCC Recommendation- Discussion Point 4C**

1. Management should consider discontinuing the policy of terminating “on-call” casual labor workers at each fiscal year end.

The current practice of terminating “on-call” workers on 9/30 and re-hiring on 10/1 results in unnecessary expenditure of administrative time for departments, offices, and divisions who utilize “on-call” casual laborers, as well as for the BOCC HR office and the Clerk’s Finance division.

These “on-call” workers would remain in the HR database and in Pentamation until an action form is required due to a change in status, or permanent termination. Monitoring of these “on-call” workers for planning and budgeting purposes could be accomplished by reviewing periodic reports generated by HR.

2. Revise BOCC Employee Handbook, Section One, Employee Categories, Casual On-Call to state “may exceed six consecutive calendar months’ employment.

**BOCC Response**

1. The new AM removes the need to terminate all casual labor employees annually.
2. The employee handbook is schedule to be revised in October 2007 and this change will be incorporated in the new edition.

***Discussion Point 5 – Casual Labor Employee Data Entry***

**CLERK - Date discrepancies exist between the casual labor personnel action forms and Pentamation data.**

Pentamation hire and termination dates do not reflect those dates indicated on the casual labor personnel action forms:

1. The hire date of 7/30/05 on casual labor personnel action forms for fourteen VFFs were recorded in Pentamation as 8/1/05.

2. The hire date of 7/30/05 on the casual labor personnel action form for one VFF was recorded in Pentamation as 9/1/05.

### **Clerk Finance Recommendation**

Management should re-emphasize the importance of data accuracy. If BOCC HR utilizes Pentamation, data entry errors could be minimized through a segregation of duties between BOCC HR and Payroll.

### **Finance Department Response**

The Finance Department continually strives to ensure data accuracy. We wish to contend that the apparent errors in Pentamation regarding fourteen volunteer firefighters (VFF) were not errors, but corrections. The VFF's are paid once a month for all fire runs occurring in the prior month. The first month the VFF's were in an employee status was August 2005. We maintain that the action forms contained incorrect dates and the Payroll Senior Accountant actually input the correct hire dates in Pentamation.

We will continue to emphasize the importance of data accuracy in meeting our objective of reliable financial reporting. Please see the response to Discussion Point 1 regarding the consolidation of the BOCC HR database with Pentamation.

## **Discussion Point 6 - Terminated Employees**

### **CLERK - Delays in processing terminated employees weakens internal controls.**

Keeping terminated employees in an active status opens the door to potential fraud, such as using the employee's active status as a basis for fraudulent reporting of time and attendance and issuing paychecks to non-existent employees.

The validation and authorization controls performed by supervisors approving employees' hours worked are weakened when delays occur in processing employee terminations.

1. Processing dates on 20 terminated casual labor employee personnel action forms ranged from approximately 5 weeks to 4 months.
2. Forms are not date stamped when received by Payroll. Forms are stamped "date entered" when input into Pentamation.

The Payroll Senior Accountant indicated that delays in receiving action forms prevent timely processing of terminations. Because the forms are not date stamped upon receipt, reasons for the delays in processing cannot be determined.

**Clerk Finance Recommendation**

1. Payroll should date stamp all personnel action forms upon receipt.
2. Management should be notified when personnel action forms are not received in a timely manner so that corrective action may be taken to improve the process.

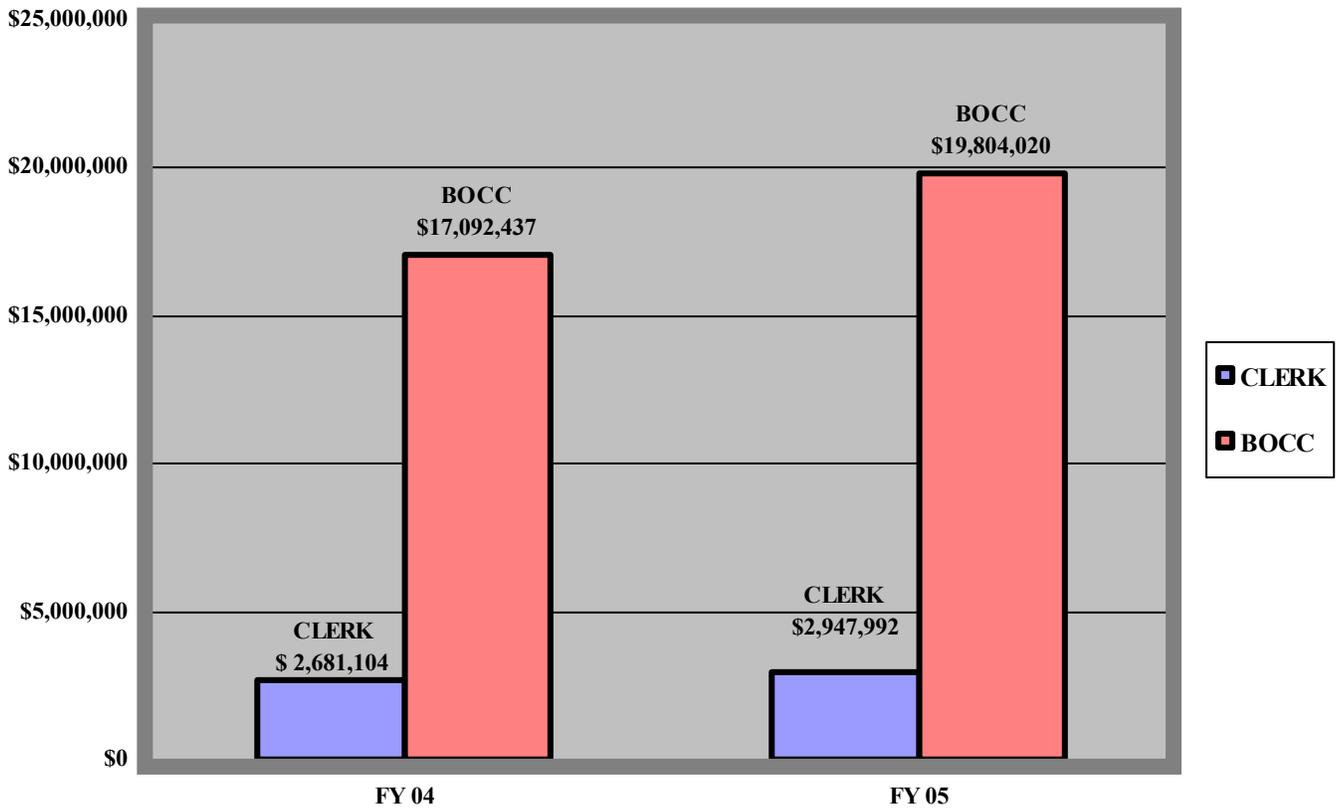
**Finance Department Response**

We are confident that Payroll processed all action forms in a timely manner upon receipt. However, since date stamping was not part of our procedures at the time, we are unable to state this unequivocally. During her field work, the internal auditor made the suggestion to date stamp action forms as soon as they were received. Recognizing the value in this suggestion, payroll began date stamping immediately.

We agree that delays in processing terminated employees expose the organization to potential fraud, including the potential for issuing paychecks to non-existent employees. We would like to point out that there were no instances of fraudulent payroll activity discovered during the course of the audit. We believe date stamping the action forms and following up when they are not received in a timely manner will help to further mitigate this risk.

## **SUPPLEMENTAL INFORMATION**

### Clerk and BOCC Payroll

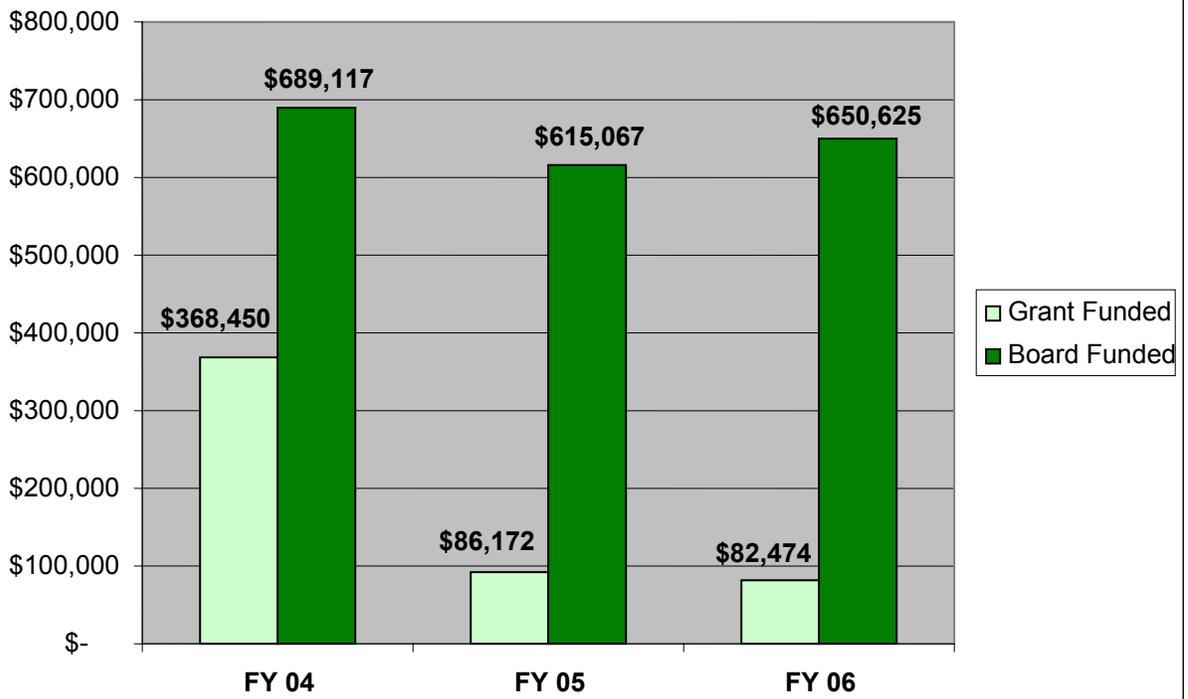


## BOCC Casual Labor Expenditures

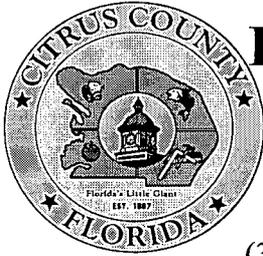
Dept	Acct	Department	FY 04	FY 05	FY 06	Total
2104	51306	County Administrator	11158	10863	24069	\$46,090
2107	51306	Human Resources	5751	—	—	\$5,751
2122	51306	Visitors & Conv Bureau	—	587	—	\$587
2150	51306	Systems Management	1496	13549	—	\$15,045
2151	51306	Geographic Information	—	—	1526	\$1,526
2155	51306	Teen Court - Fines	2318	—	—	\$2,318
2160	51306	Teen Court Civil Citation	1549	20336	4636	\$26,521
2670	51306	Maintenance Operations	18210	9340	21729	\$49,279
2781	51306	Community Development	8014	5012	11398	\$24,424
3200	51306	Fire Rescue	—	15881	255609	\$271,490
3200	54909	Fire Fighters Reimbursement	377600	246730	—	\$624,330
3215	51306	Beverly Hills Fire Dept	—	2372	32490	\$34,862
3215	54909	Beverly Hills Fire Dept	42530	29250	—	\$71,780
3340	51306	Public Safety	2853	1358	1095	\$5,306
3345	51306	Code Enforcement	16526	1360	809	\$18,695
3445	51306	Building Inspection	7001	13735	25789	\$46,525
4104	51306	Engineering	10231	15446	10941	\$36,618
5106	51306	Animal Services	4917	5241	2052	\$12,210
5212	51306	Landfill	4947	8868	11288	\$25,103
5225	51306	Comm Services Admin	256	—	—	\$256
5304	51306	St Housing Init Prtnrship	—	1	—	\$1
5347	51306	Title III B	2257	1031	—	\$3,288
5348	51306	Title III C-2	383	2921	391	\$3,695
5350	51306	Comm Support Services	431	—	—	\$431
5370	51306	Title III C-1	836	—	—	\$836
5409	51306	Sect 18 Trans - Medicare	236	2858	5357	\$8,451
5412	51306	Trans Dis - Secondary	3000	—	—	\$3,000
5413	51306	Transportation Disadvantage	23867	24746	6371	\$54,984
5426	51306	Nitrate Workgroup	2659	3243	3777	\$9,679
5701	51306	Sr. Companion Med Waiver	—	321	—	\$321
5707	51306	Article V Teen Court	—	—	4197	\$4,197
5750	51306	Drug Court	—	330	1934	\$2,264
5756	51306	FL Yards & Neighbors Grant	—	2267	—	\$2,267
5789	51306	Title III E-GRPRT RS GRCLD	3093	—	—	\$3,093
5797	51306	Citrus Springs Comm Ctr	38	2965	—	\$3,003
5806	51306	Vet & Comm Serv Center	—	3344	890	\$4,234
5821	54909	Fire Dept (Hurricane Frances)	207190	960	—	\$208,150
5823	54909	Fire Dept (Hurricane Jeanne)	116580	—	—	\$116,580
5834	51306	Volunteer Florida Grant	—	7680	1727	\$9,407
5857	51306	2005 Dom Prepare Wmd Tech	—	—	3292	\$3,292
6102	51306	Parks	—	7627	16530	\$24,157
6102	51314	Parks and Recreation	117170	149470	163707	\$430,347
6103	51306	Summer Youth Program	17072	—	—	\$17,072
6104	51320	Parks Special Programs	26731	34938	50426	\$112,095
6150	51306	Chass River Campground	1841	2043	3444	\$7,328
6212	51306	Library Services	3474	1757	2084	\$7,315
6302	51306	Extension Center	1695	171	1280	\$3,146
6304	51306	Aquatic Weed Control	3299	9347	—	\$12,646
7204	51306	Sect 18 Transit System	9459	21461	63478	\$94,398
7215	51306	Special Events Transit	—	1590	514	\$2,104
8225	51306	Citrus Springs Comm Center	352	—	—	\$352
9000	51306	Water & Waste Water	—	20240	269	\$20,509
9300	51306	Utility Billing	547	—	—	\$547
		<b>Total</b>	<b>\$1,057,567</b>	<b>\$701,239</b>	<b>\$733,099</b>	<b>\$ 2,491,905</b>

Grant Funded

### BOCC Casual Labor Expenditures



## EXHIBIT A



# BOARD OF COUNTY COMMISSIONERS

## HUMAN RESOURCES

3600 West Sovereign Path • Suite 283 • Lecanto, Florida 34461  
(352) 527-5370 Phone (352) 527-5372 Fax (352) 527-5371 Job Line

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TO: Brenda Fontenot, Internal Auditor

FROM: Richard R. Pettitt Jr., PHR, Human Resources Director *RRP*

DATE: June 15, 2007

SUBJECT: Payroll Audit Report, April 2007

As a result of the above mentioned audit, please allow our office to provide the following responses:

1. Internal Controls Discussion Point:

The Human Resources office concurs with the recommendation of converting our data base to the Pentamation system. We have already had some preliminary discussion with the payroll functions within the Clerk's Office concerning issues and concerns. I am fairly comfortable with the idea that the database can be converted and operational with a minimum of error and time. We hope to have this conversion completed by October 1, 2007.

2. Casual Labor Discussion Point 4A:

1. The conversion from our data base to the Pentamation system should result in the elimination of the mismatches between the databases.
2. Administrative Memorandum 99-01 "Casual Labor" is being revised as Administrative Memorandum 07-02 and addresses the timeliness issue concerning action forms. New casual labor employee will not start until the forms are received in the Human Resources Office. This AM will also address the issue of the 180 day and restate it as not more than six months. A draft of the new AM is attached to this response.

3. Casual Labor Discussion Point 4B:

The issuing of the new Administrative Memorandum and conversion to the Pentamation system should be sufficient to rectify both of these notations.

4. Casual Labor Discussion Point 4C:

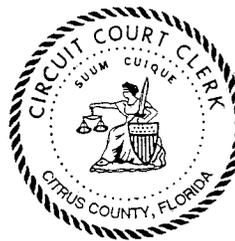
1. The new AM removes the need to terminate all casual labor employees annually.
2. The employee handbook is schedule to be revised in October 2007 and this change will be incorporated in the new edition.

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Richard "Randy" Pettitt  
Human Resources Director

## EXHIBIT B

**Betty Strifler**  
Clerk of the Circuit Court  
Citrus County



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110 North Apopka Avenue, Room 101, Inverness, Florida 34450-4299 - Telephone: (352) 341-6466

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MEMORANDUM

Date: June 18, 2007  
To: Brenda Fontenot, Internal Auditor  
From: Sarah C. Koser, Finance Director *S. Koser*  
Re: Payroll Audit Recommendations

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Thank you for the opportunity to respond to your recommendations in the Payroll Audit dated April 25, 2007.

**Discussion Point 1 – Internal Controls**

• Recommendation:

*HR management should consider utilizing Pentamation to maintain and track employee data. This would eliminate duplication of effort, strengthen internal controls, improve data accuracy, and provide greater database security.*

Response:

The Finance Department concurs that there are many benefits to be gained in consolidating the Board's HR database with the Pentamation database. We are in discussions with the Board Human Resources department regarding this option. Should all parties decide on this course of action, we will review and adjust our policies and procedures, where necessary, to continue to provide reasonable assurance that we can meet our objectives of effective and efficient payroll operations, reliable financial reporting and compliance with applicable laws and regulations.

• Recommendation:

*A discussion with the Payroll Senior Accountant disclosed that various accountants had assisted with data input over the last few years. Payroll recently acquired an accountant to assist part-time with the payroll function and to serve as backup.*

*To strengthen the review control, management should re-emphasize the importance of data accuracy by utilizing a checklist in conjunction with a task outline, or through a special training session.*

Response:

We agree. The payroll maintenance task has been confined to two fully trained employees, the Payroll Senior Accountant and an Accountant. A third Accountant, who previously processed payroll, now checks the maintenance. The Payroll Senior Accountant is developing the recommended checklist for use in both entering changes and checking the maintenance.

- Recommendation:

*To ensure personnel responsibilities match the security access, management should review the Security Access List on a monthly basis. Management should utilize the payroll maintenance report as a tool to determine any necessary changes.*

*Additionally, the Clerk's and the BOCC's HR offices should continue to notify Finance when an employee's status or position changes.*

Response:

The Assistant Finance Director will review the Pentamation security resources of all employees on a monthly basis and make necessary modifications. This review will extend to all security resources, not just those regarding payroll and personnel functions. While this review has been performed periodically in the past, there was no set schedule. We agree that performing this on a monthly basis will strengthen internal controls.

## **Discussion Point 2 – Disaster Recovery & Business Continuity**

- Recommendation: *None*

Response:

The Clerk's Information Systems Division and the Finance Department perform multiple simulations each year to ensure that backup systems perform adequately and that responsible personnel are trained and comfortable in performing their duties. We take this responsibility very seriously, as we recognize the critical nature of our role in ensuring that the business of the County continues in the event of a disaster.

## **Discussion Point 3 - Florida Retirement System (FRS)**

- Recommendation:

*During the audit, at the request of Payroll, the Clerk's HR office revised the cover sheet on the new hire packet to include a section for enrolling an employee in FRS. To strengthen this control, a monthly report, listing newly-hired eligible employees, should be compared to the monthly FRS report to determine accuracy, ensure compliance, and eliminate delinquent assessments. This step could be added to the recommended checklist discussed in Clerk – Finance Recommendation, Discussion Point 1C, Internal Controls.*

Response:

We agree. The revised cover sheet is proving very effective for the Clerk's new hires. To strengthen this control and to extend coverage to the Board new hires, as well as encompassing all

of the usual benefits and deductions, we have written a report that will generate a listing of all new hires and their respective deduction/benefit codes. This will be reviewed biweekly as part of the payroll maintenance process.

- Recommendation:

*Finance should contact FRS to determine whether retroactive earnings adjustments should be reported for the eight casual labor employees who exceeded the six consecutive calendar months' requirement.*

Response: Finance will follow the auditors recommendation.

### **Discussion Point 5 – Casual Labor Employee Data Entry**

- Recommendation:

*Management should re-emphasize the importance of data accuracy. If BOCC HR utilizes Pentamation, data entry errors could be minimized through a segregation of duties between BOCC HR and Payroll.*

Response:

The Finance Department continually strives to ensure data accuracy. We wish to contend that the apparent errors in Pentamation regarding fourteen volunteer firefighters (VFF) were not errors, but corrections. The VFF's are paid once a month for all fire runs occurring in the prior month. The first month the VFF's were in an employee status was August 2005. We maintain that the actions forms contained incorrect dates and the Payroll Senior Accountant actually input the correct hire dates in Pentamation.

We will continue to emphasize the importance of data accuracy in meeting our objective of reliable financial reporting. Please see the response to Discussion Point 1 regarding the consolidation of the BOCC HR database with Pentamation.

### **Discussion Point 6 – Terminated Employees**

- Recommendation:

1. *Payroll should date stamp all personnel action forms upon receipt.*
2. *Management should be notified when personnel action forms are not received in a timely manner so that corrective action may be taken to improve the process.*

Response:

We are confident that Payroll processed all action forms in a timely manner upon receipt. However, since date stamping was not part of our procedures at the time, we are unable to state this unequivocally. During her field work, the internal auditor made the suggestion to date stamp action forms as soon as they were received. Recognizing the value in this suggestion, payroll began date stamping immediately.

We agree that delays in processing terminated employees expose the organization to potential fraud, including the potential for issuing paychecks to non-existent employees. We would like to point out that there were no instances of fraudulent payroll activity discovered during the course of the audit. We believe date stamping the action forms and following up when they are not received in a timely manner will help to further mitigate this risk.

We would like to thank the Internal Auditor for her valuable suggestions. We are very proud of the high degree of professionalism of our payroll division. Any opportunity to further enhance our operations and provide greater accountability to the taxpayers in this area is greatly appreciated.

## EXHIBIT C



**To:** Department/Office/Division Directors  
**From:** June M. Fisher, County Administrator  
**Date:** July 2, 2007  
**Subject:** Casual Labor

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**PURPOSE:**

There are occasions when, because of emergencies or unusual demands, a department must hire people to work on a "casual labor" basis. A Casual Labor employee is one that is hired for 1) a position for a specific amount of time for which no regular position exists; 2) temporary replacement of an employee who is on an approved leave of absence; or 3) seasonal or intermittent work. This type of worker cannot exceed six (6) consecutive months without being subject to Florida Retirement System (FRS), and receives no benefits. If the casual laborer works one day in a month this constitutes working the entire month and is counted as month one. They can be used to work a regular schedule at either a part time or full time level. Once terminated after six (6) consecutive months they cannot be rehired for a position until a significant period of time has expired. The significant period of time should be considered at least an additional six (6) consecutive months. Failure to meet this requirement will result in the need to pay into the FRS for this employee for the past position, as well as the current position.

An "On-Call" Casual Labor employee is one who is called to work **unexpectedly** for brief periods and whose employment ceases when the work is completed. They may work for longer than six (6) consecutive months in this type of position. They cannot have a work schedule nor work consistently month after month or they will be considered a regular employee. The key to "on call" is that their use is unexpected and very short term, probably no more than a couple of days at a time.



**PROCEDURE:**

Specific guidelines which must be followed and are listed below:

1. All requests to hire a casual laborer will be made on a Casual Labor Employee Requisition and submitted to the Office of Management and Budget for approval.
2. The Office of Management and Budget will review completed requisitions and determine if the requesting department/division has the required line item and funding available to hire the casual laborer. Casual Labor Employee Requisition forms will be returned to the requesting department/division after approval.
3. The Casual Labor Requisition Form must have the requested date of employment and anticipated termination date filled out. Should no termination date be indicated, the Management and Budget Office will assign a date of termination according to the information listed on the requisition form.
4. Funding for casual labor must be appropriated **prior** to the hiring of the casual laborer. Emergency authorization will be given to hire casual labor employees provided there is sufficient justification. Casual laborers must be paid from the line item "Other Salaries and Wages".
5. After approval by the Office of Management and Budget, submit the approved Casual Labor Requisition Form, Casual Labor Action Form, Casual Labor Application and Casual Labor Agreement to the Human Resources Office for processing.
6. Physical appointments, if appropriate, will be scheduled and appointment for paperwork made. The requested dates of employment must be listed on the casual labor requisition form. The Human Resources Office will issue a start date according to the dates scheduled for the pre-employment physical and scheduled completion of the paperwork.
7. Casual labor employees must be paid the entry level pay rate for a similar job classification. Exceptions must be requested to and approved by the Human Resources Director and County Administrator or designated representative prior to the hiring of the casual labor employee.



8. If there is a reason to fill a position which is higher than entry level for a temporary period, you are asked to promote, when practical, a current, qualified employee from the same division for the temporary period. A casual labor employee could then be selected to fill the lower position.
9. Persons hired on a casual labor basis are not eligible for County benefits. However, federal law requires that everyone hired by the County, including casual laborers, complete a W-4 form and the required deductions must be made for federal income tax and social security. Forms must be prepared prior to the time of employment.
10. If the casual laborer will be operating County equipment, you must make sure that he/she has the appropriate valid Florida Driver License. Casual Labor employees should not be placed in a position which requires a Florida Commercial Driver License (CDL) unless requested by the department director and approved by the Human Resources director.
11. The maximum length of time that someone can work in a casual labor status is six (6) consecutive calendar months. Under certain circumstances (i.e. on-call, student clerical) the maximum length of time may be extended. Please contact Human Resources for clarification on those casual laborers you feel may be able to work beyond the standard six-month period.
12. Human Resources will maintain the Casual Labor employee's employment file. They will contact you approximately 30 days in advance of the termination date to remind your office that the employment must be terminated. Once termination has taken place all termination paperwork must be in the Human Resources Office not later than the third working day after the termination date.

This Administrative Memorandum supersedes AM 99-01 dated 02/10/1999.