

AUDIT REPORT

An Audit of Salt Lake County Health Department Payroll

AUGUST 2023



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AUDITOR'S LETTER

September 19, 2023

I am writing to formally present the results of our recent audit of payroll activities conducted at the Salt Lake County Health Department. This will be the first of a multiple series of payroll audits of various county offices and agencies that will be presented over the next few months.

This audit aimed to assess the accuracy, compliance, and efficiency of payroll processes within the department. During our examination, we identified nine significant findings that warrant immediate attention and corrective action.

We strongly encourage the prompt implementation of these recommendations to enhance the accuracy, compliance, and efficiency of payroll processes at the Salt Lake County Health Department. Failure to address these issues may result in operational disruptions, compliance risks, and potential financial discrepancies.

We appreciate the Health Department's cooperation and commitment to resolving these findings.

This audit was authorized pursuant to Utah Code Title 17, Chapter 19a, "County Auditor", Part 2, "Powers and Duties." We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We appreciate the cooperation and assistance provided by all county stakeholders during this audit. Please review the enclosed audit report for detailed findings and recommendations, and feel free to contact me at 385-468-7200 with any questions.

A handwritten signature in black ink that reads "Chris Harding".

Chris Harding, CPA, CFE, CIA
Salt Lake County Auditor

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HEALTH DEPARTMENT PAYROLL AUDIT

AUGUST 2023

Objectives

The audit objectives were to provide reasonable assurance that the internal controls in place are adequate and effective and that the payroll processes comply with all applicable fiscal ordinances, policies, and procedures. Areas of audit focus included the processes and procedures for the following:

- Onboarding of new employees
- Timekeeping
- Special allowances paid through payroll
- Overtime and compensatory time
- Reconciliations of payroll time and expenditures
- Offboarding of terminated employees

REPORT HIGHLIGHTS

Human Resources and Health Department lists of positions requiring a background check did not match

Salt Lake County Human Resources Policy 2-500: Background Check Requirements, Section II Procedures, A.1, states, "The Human Resources Division, in consultation with the relevant agencies and the District Attorney's office, will identify and maintain a current list of designated positions and volunteer functions that are subject to background checks."

No internal compensatory policy for exempt employees. Overtime and compensatory time incongruent with employee elections and in excess of authorized limits

Salt Lake County Human Resources Policy 5-300: Payroll section 3 states, "Each Department Director or Elected Official shall adopt written internal policies regarding compensatory time off for FLSA exempt employees."

Human Resources Policy 5-300: Payroll Section F. Overtime and Compensatory Time for FLSA Non-Exempt Merit Employees 1. States that "Any non-exempt employee who works more than forty hours in a workweek will be paid one and one-half times their regular rate of pay for each hour worked in excess of 40 unless the employee requests compensatory time off. Employees may request in writing compensatory time off in lieu of cash payment prior to working the overtime hours."

November 6, 2020, the Health Department Deputy Director provided an overtime limit of 20 hours per week, stating that, "the Health Department merit employees are approved to work up to 60 hours, any time beyond that needs supervisor approval."

Timecard entries by a supervisor. Timecard approvals by individuals lacking sufficient authority

General Accounting Office (GAO), December 2000 publication, "Maintaining Effective Control Over Employee Time and Attendance Reporting," states, "Primary responsibility for authorizing and approving [Time and Attendance (T&A)] transactions rests with the employee's supervisor, who approves the employee's T&A reports. Timekeepers and supervisors must be aware of the work time and absence of employees for whom they are responsible to ensure the reliability of T&A data."



Finding Risk Classifications

Classification	Description
<p>1 – Low Risk Finding</p>	<p>Low risk findings may have an effect on providing reasonable assurance that County funds and assets were protected from fraud, waste, and abuse.</p> <p>Recommendations may or may not be given to address the issues identified in the final audit report. If recommendations are given, management should try to implement the recommendations within one year of the final audit report date if possible. Follow-up audits may or may not focus on the status of implementation.</p>
<p>2 – Moderate Risk Finding</p>	<p>Moderate risk findings may have an effect on whether there is reasonable assurance that County funds and assets were protected from fraud, waste, and abuse.</p> <p>Recommendations will be given to address the issues identified in the final audit report. Management should implement the recommendations within one year of the final audit report date if possible. Follow-up audits will focus on the status of implementation.</p>
<p>3 – Significant Risk Finding</p>	<p>Significant risks are the result of one or more findings that may have an effect on whether there is reasonable assurance that County funds and assets were protected from fraud, waste, and abuse.</p> <p>Recommendations will include necessary corrective actions that address the significant risks identified in the final audit report. Management should implement the recommendations within six months of the final audit report date if possible. Follow-up audits will focus on the status of implementation.</p>
<p>4 – Critical Risk Finding</p>	<p>Critical risks are the result of one or more findings that would have an effect on whether there is reasonable assurance that County funds and assets were protected from fraud, waste, and abuse.</p> <p>Recommendations will include necessary corrective actions that address the critical risks identified in the final audit report. Management should implement the recommendations as soon as possible. Follow-up audits will focus on the status of implementation.</p>

BACKGROUND

The Salt Lake County Auditor's Audit Services Division completed an audit of the Salt Lake County Health Department Payroll Operations for the period of September 1, 2021, to August 31, 2022. The audit was performed in conjunction with a Countywide Audit of Payroll Operations, focusing on Mayor's Finance Administration (Payroll Administration), Human Resources, and twelve County Agencies.

For the audit period, the Health Department's payroll encompassed a workforce of 756 employees, with cumulative earnings of \$32 million.

The Health Department's Human Resources and Payroll Coordinators are entrusted with the responsibilities of employee hiring, rehiring, promotions, and terminations, as well as processing timekeeping and special allowances.

OBJECTIVES AND SCOPE

The audit objectives were to provide reasonable assurance that the internal controls in place are adequate and effective and that the payroll processes comply with all applicable fiscal ordinances, policies, and procedures. Areas of audit focus included the processes and procedures for the following:

- Onboarding of new employees
- Timekeeping
- Special allowances paid through payroll
- Overtime and compensatory time
- Reconciliations of payroll time and expenditures
- Offboarding of terminated employees

Additionally, in August 2022 fraud allegations regarding the Health Department were submitted to the Office of the Utah State Auditor and forwarded to the Salt Lake County Auditor's Office. The anonymous employee that submitted the tip alleged that supervisors were encouraging staff to accumulate overtime hours and claimed to have witnessed one employee claim overtime they had not worked.

The Auditor's Office makes no opinion regarding the validity of the claim regarding an employee recording time they did not work. However, as a result of the tip submitted, the scope of the audit was expanded to include additional audit procedures designed to gather sufficient evidence to form conclusions, where possible, regarding the allegations and provide reasonable assurance that overtime and compensatory time hours were

authorized and within preapproval thresholds.

In response to the increased workload resulting from the COVID-19 pandemic, Health Department Management implemented emergency measures in the fall of 2020 by issuing preapproval for overtime and compensatory time.

The scope of the audit was from September 1, 2021 to August 31, 2022.

AUDIT CRITERIA

Human Resources Policy 5-100: Pay and Employment Practices

establishes procedures to implement pay practices and provide the foundation for a performance-based pay system. Procedures include:

- Department management and Human Resources roles and responsibilities
- Temporary Employee compensation
- Employment practices for rehire, transfer, promotion, termination
- Pay Differentials
- Career development, such as acting in positions, temporary assignments, and in-grade advancements
- Bonus Awards and Incentive Plans

Human Resources Policy 5-300: Payroll establishes a uniform and consistent application of the provisions of the Salt Lake County Payroll System. The policy's purpose is that the maintenance of payroll records for each employee will be consistent with FLSA requirements. Procedures include:

- Certification of Payrolls
- Payment Procedures
- Off-Cycle Checks
- Termination Pay
- Payroll Corrections
- Overtime and Compensatory time
- On Call Duty Assignments

Salt Lake County Human Resources Policy 2-500: Background Check Requirements, Section II Procedures, A.1, states, "The Human Resources Division, in consultation with the relevant agencies and the District Attorney's office, will identify and maintain a current list of designated positions and volunteer functions that are subject to background checks."

US General Accounting Office (GAO) December 2000 publication
"Maintaining Effective Control Over Employee Time and Attendance"

Reporting” outlines best practices for an internal control environment for a time and attendance reporting system. Publications key area for this audit included the authorization and approval of time and attendance transactions.

METHODOLOGY

We used several methodologies to gather and analyze information related to our audit objectives. The methodologies included but were not limited to:

1. Auditors met with agency personnel to gain an understanding of payroll procedures and agency controls in place. Processes were observed, documented and agreed upon.
2. Controls were observed in operation, such as employee use of physical timeclocks, safeguarding of sensitive documents, and payroll system access controls.
3. Documents were examined, such as emails or memos authorizing overtime, gift card request forms, and W-4s.
4. Payroll data was analyzed, such as analytics to identify whether timecards were approved, and no terminated employees were still receiving a paycheck.
5. Where appropriate statistical or judgmental sampling was used to identify transactions selected for review.

CONCLUSIONS

The Health Department’s response to the COVID-19 pandemic resulted in a rapid increase in workload and staffing and presented challenges in adhering to policies and procedures, particularly payroll operations. Adding to these concerns, in August 2022 an anonymous employee submitted a fraud tip alleging that supervisors were encouraging staff to accumulate overtime hours and that they witnessed one employee claim overtime they had not worked.

The Auditor’s Office makes no opinion regarding the validity of the claim regarding an employee recording time they did not work. However, we noted payroll operations did not comply with several key controls, including those required by County policy, including:

- Overtime and compensatory time incongruent with employee elections and in excess of authorized limits.
- Timecard entries by a supervisor. Timecard approvals by individuals lacking sufficient authority.
- Inconsistencies in which positions required a background check.
- No internal compensatory policy for exempt employees.

These control weaknesses pose an increased risk of undetected errors and omissions, potential fraud, waste, and abuse related to timekeeping and payroll processing. To mitigate these risks and improve operational effectiveness, it is crucial that Health Department Management establish written policies and procedures regarding payroll processing, including practices to monitor for compliance. In addition, management should collaborate with Human Resources and Mayors Finance Administration (“MFA”) Payroll Administration to expand and reinforce Countywide policies and procedures related to Payroll.

Fraud Allegations

While no evidence of fraud was found, the audit did reveal instances where overtime exceeded authorized limits, prompting the need to strengthen oversight and communication.

Notably, 50% of reported overtime hours exceeded preapproved thresholds, resulting in an additional cost of \$94,604 during the audit period. Furthermore, in 2022, the Health Department’s actual overtime expenditures exceeded the budget amounts by 261.6%. However, the overall personnel budget was underspent, with actual expenses at 92.9% of the budgeted amount.

While the Health Department exhibited an intent to manage overtime through email directives (20 hours per week in November 2020, revised to 10 hours per week in January 2022), the effectiveness of these directives was diminished by a lack of enforcement and follow-through.

To mitigate these risks, Health Department Management must reinforce the adherence to established overtime limits. When overtime exceeds stipulated limits, management directives should be promptly reviewed, updated, and communicated through official channels such as email or staff memos.

FINDING 1 AND RECOMMENDATIONS

Human Resources and Health Department list of positions requiring a background check did not match

Risk Rating: **Significant Risk Finding**

Certain positions within the Health Department deal with sensitive information and vulnerable individuals. Therefore, a background check is required prior to starting work. Human Resources maintains a list of positions within the County that require a background check per policy.

We selected a sample of 16 out of 77 employees hired or rehired by the Health Department during the audit period for review. Ten employees held positions requiring a background check per the Human Resources list. Six (60%) out of the 10 employees did not have a background check on file.

Salt Lake County Human Resources Policy 2-500: Background Check Requirements, Section II Procedures, A.1, states, "The Human Resources Division, in consultation with the relevant agencies and the District Attorney's office, will identify and maintain a current list of designated positions and volunteer functions that are subject to background checks."

Health Department Management provided the Auditor's Office with an independently maintained list of positions that required background checks. The positions for the 6 individuals were not considered to require background checks.

When background checks are not conducted where needed, sensitive information and vulnerable individuals may be at risk. In addition, the County may be subject to reputational damage and potential lawsuits.

1.1

RECOMMENDATION

Job Position Review

We recommend that Health Department Management work with Human Resources and the District Attorney's Office to review, validate, and update the list of positions requiring background checks, including the 6 positions noted.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 12/6/23

SEE PAGE 26 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

1.2

RECOMMENDATION

Background Checks

We recommend that Health Department Management work with Human Resources and the District Attorney's Office to establish and conduct reviews of Health Department positions and the list of positions requiring a background check at periodic intervals, such as annually, to ensure the list remains up-to-date.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 12/6/23

SEE PAGE 26 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

1.3

RECOMMENDATION

Revoke Policy

We recommend that Health Department management consult with, and obtain the approval of, Human Resources and the District Attorney's Office whenever one or more positions should no longer require a background check.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 12/6/23

SEE PAGE 26 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 2 AND RECOMMENDATIONS

Overtime and Compensatory time exceeded pre-approval limits

Risk Rating: **Significant Risk Finding**

The Auditor’s Office received an allegation from the Office of the Utah State Auditor, claiming that employees at the Health Department were accumulating excessive and unauthorized overtime. In response, we conducted further testing and analysis of the agency’s overtime and compensatory time records. While we found no evidence of fraud, we did note overtime exceeding that which was authorized by management.

We assessed the reported overtime and compensatory time during the audit period to identify instances where amounts earned exceeded preapproval thresholds established by Health Department Management. Based on our analysis, the number of hours over the pre-approved amount were 50% of the preferred maximum. The resulting additional cost was approximately \$94,604.

Table 1. Overtime and compensatory time exceeded pre-approval limits by 50%. Health Department employees reported 1,918 hours for a total of \$94,604 over the preferred maximum allowable during the audit period of September 1, 2021 to August 31, 2022.

September 1, 2021 to August 31, 2022				
Type of Time Earned	Total Hours Reported	Total Dollars Earned	Hours over the OT maximum: (20 per week 2021) (10 per week 2022)	Dollars earned over maximum hours:
Comp Time Paid	335	\$ 9,812	175	\$ 5,196
Comp Time Earned and Taken	937	\$ 26,077	337	\$ 8,668
Emergency Overtime - Exempt	1,822	\$ 133,995	582	\$ 42,692
Overtime at Time & One-Half	2,604	\$ 114,197	824	\$ 38,049
Totals	5,698	\$ 284,082	1,918	\$ 94,604
			<i>51% over the maximum</i>	<i>50% over the maximum</i>

In addition, 2022 actual versus budgeted overtime expenditures for the Health Department were 261.6% of the budgeted amount. However, the overall personnel budget was underspent, with actual expenses at 92.9% of the budgeted amount.

In response to the increased workload resulting from the COVID-19 pandemic, Health Department Management implemented emergency measures by issuing preapproval for overtime and compensatory time. In an email dated November 6, 2020, the Health Department Deputy Director established an overtime limit of 20 hours per week, stating that, “the Health Department merit employees are approved to work up to 60 hours, any time beyond that needs supervisor approval.”

In an email dated January 30, 2022, the Health Department Deputy Director communicated updated, softened guidelines, indicating a limit of 10 overtime hours per week, stating, “With the new year we are committed to helping staff reduce their hours back to normal – and hopefully never more than 50 hours [per week]. It has been a tough couple of years, and we all need to get back to normal hours as much as possible. Supervisors will be working with those that are repeatedly working more tha[n] 50 hours to transition responsibilities away.”

Management stated that the overtime over the preferred maximums was considered approved when the employee’s supervisor approved the timecard. Health Department Management attributed the 2022 overtime over expend to the prolonged absence of a key staff member and the simultaneous handling of two significant Requests for Applications. Overtime was attributed to the augmented workload and the staff shortage.

When management directives, such as the 20 hour per week overtime limit set forth in 2020, are not followed or not enforced, they have no value. Overtime guidelines help prevent budget over expenditures. Overtime limits also protect employees by helping prevent burnout and by mitigating the risk of employee errors due to fatigue. Limits may also help avoid situations where employees become dependent on overtime for a source of additional income.

We recommend that when overtime exceeds established limits for valid business reasons, management directives be updated and communicated through email or staff memos.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - ONGOING

SEE PAGE 26 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 3 AND RECOMMENDATIONS

Timecards not approved by a supervisor

Risk Rating: **Significant Risk Finding**

Employee timecards help maintain accurate records of the hours employees work, facilitate payroll, and help ensure compliance with labor laws, County, and division-level policies. Timecards also provide valuable data for stakeholders.

Health Department employees enter time worked into the County payroll system, PeopleSoft. Employee timecards must be approved before the employee's payroll can be processed. A random sample of 42 out of 756 employees was selected for testing, with over 10,000 timecard entries, 22 of the 42 employees (52%) had 319 (3%) time entries approved by an individual that was not their supervisor according to PeopleSoft, and the individual's job title and grade did not match that of a supervisor or manager.

Per the General Accounting Office (GAO) December 2000 publication "Maintaining Effective Control Over Employee Time and Attendance Reporting", the "Primary responsibility for authorizing and approving T&A transactions rests with the employee's supervisor, who approves the employee's T&A reports. Timekeepers and supervisors must be aware of the work time and absence of employees for whom they are responsible to ensure the reliability of T&A data."

In response, management stated, "292 of those approvals were done by [the] payroll coordinator, who is designated to submit final approval for any employee time that is not approved by their supervisor or designee prior to the 2 PM deadline. During the audit period PeopleSoft allowed supervisor[s] to approve time for any employees, even those they did not directly supervis[e], and 7 of those were approved by [the] Outreach Manager, and the final 20 were approved by [the] nursing lead during our COVID [19 pandemic] response."

When supervisors do not approve employee time, employee accountability maybe diminished. In addition, there is an increased risk of non-compliance with policies, laws, and regulations, as well as a greater potential for payroll inaccuracies. Individuals other than the employee's supervisor may not be aware of the time the employee worked, or what hours the employee was authorized to work which can lead to fraud, waste, and abuse.

We recommend that Health Department Management establish and document procedures regarding the review and approval of employee time by direct supervisors or managers.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 11/6/23

SEE PAGE 26 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that Health Department Management establish clear procedures that address situations when the direct supervisor is unavailable to approve time. These procedures should include documentation requirements to ensure proper oversight and accountability.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 12/6/23

SEE PAGE 26 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 4 AND RECOMMENDATIONS

Inadequate Segregation of Duties in Timecard Entries by Employee's Supervisor

Risk Rating: **Moderate Risk Finding**

We reviewed a randomly selected sample of 42 out of 756 employees from the Health Department. This review involved examining 647 timecards. We found that for one Cadet in the Health Department Tobacco Prevention Program, all the employee's time worked was entered by the employee's supervisor. Time worked by the employee accounted for 39 of the 647 (6%) timecard entries sampled.

In an email response dated May 30, 2023 Health Department management stated that they have repeatedly directed the program supervisor to require employees to input their own timesheet data. Furthermore, the Department of Labor's Wage and Hour Division recommends that employers have a system in place to ensure the accuracy of timecards. Employees are more familiar with their work schedule and daily activities, which makes them better equipped to provide accurate information.

Health Department Management stated that, "[The] HR team has worked with our tobacco program to let them know they should not be entering time for tobacco cadets, who currently work after school from around 4-7 PM, and reminded the program that employees are required to complete their own timesheets."

When employees do not enter the time they worked, the risk of errors or inaccuracies is increased. Additionally, when timecards are entered by someone other than the employee themselves, it may reduce the employees' sense of accountability for the accuracy of their timecards. Finally, when supervisors enter employee time and approve their timecards, there is no clear separation of duties.

We recommend that Health Department Management establish and document procedures regarding proper segregation of duties where supervisors are not involved in entering time for employees. This will minimize the risk of errors, bias, or fraud in the time reporting process.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 11/6/23

SEE PAGE 26 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that the Health Department Management implement a review process for timecard entries that were not made by the employee, requiring timecards to be reviewed and approved by a higher-level manager or by an independent reviewer who is at a higher organizational level.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 11/6/23

SEE PAGE 26 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 5 AND RECOMMENDATIONS

Both the Agency and Payroll Administration attributed retroactive payment calculation responsibility to the other party

Risk Rating: **Moderate Risk Finding**

We reviewed controls over retroactive payroll payments (“retro payments”), which are defined as compensation added to an employee’s paycheck to make up for a shortfall in a previous pay period. Examples of retro payments include back pay for a raise effective in a prior pay period, or employees due a shift-differential, or acting in rate, also not paid in a prior pay period.

During the audit period, there were 63 retro payments processed for Health Department employees. We filtered the population to identify payments above the Countywide retro payment average of \$280, and adjusting, negative transactions for review and selected a sample of 21 payments for 21 employees. We found that communication was on file regarding the reason for the retro payment. However, documentation supporting calculations performed to support the payments was not on file.

According to County Human Resources and MFA Payroll Administration, the agency payroll coordinator is responsible for calculating and providing amounts due when retro payments were required. Additionally, MFA Payroll Administration was responsible for reperforming and verify the agency calculations. Contrarily, Health Department Management stated that they rely on *“PeopleSoft and MFA Payroll Administration to calculate the amounts.”*

The absence of Countywide Payroll Policies and Procedures, and lack of Payroll Coordinator training, resulted in a lack of understanding and consistency regarding retro payments.

The United States Government Accountability Office (GAO) 2014 Standards for Internal Control in the Federal Government, Section 10.02, states,

“Management designs control activities to fulfill defined responsibilities and address identified risk responses. Control activities are the **policies, procedures**, techniques, and mechanisms that enforce management’s directives to achieve the entity’s objectives and address related risks. As part of the control environment component, management defines responsibilities, assigns them to key roles, and delegates authority to achieve the entity’s objectives...”

When policies and procedures are not documented, including roles and responsibilities, key controls may not be in place and may degrade over time. Errors and omissions are more likely to occur and not be detected. Employees may be, or may have been, under or overpaid without detection.

We recommend that Health Department Management establish clear and well-defined policies and procedures for calculating and verifying retroactive payments.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 10/6/23

SEE PAGE 26 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that Health Department Management collaborate with Payroll Administration to establish a documentation retention system to ensure that supporting documentation of retro payments is maintained on file.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 10/6/23

SEE PAGE 26 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

Auditor's note: Related findings and recommendations will be addressed to Mayors Financial Administration (MFA) and Payroll Administration congruent with their oversight role and related responsibilities. These recommendations will be detailed in a dedicated Audit Report specifically addressed to MFA.

FINDING 6 AND RECOMMENDATIONS

No internal policy for exempt employees compensatory time

Risk Rating: **Moderate Risk Finding**

Exempt employees are those employees deemed exempt from certain provisions of the Fair Labor Standards Act (FLSA). For example, exempt employees are generally not entitled to receive overtime pay for hours worked beyond 40 hours in a workweek. Within Salt Lake County each agency is responsible for determining and documenting whether exempt employees accrue compensatory time. Health Department Management stated that there was no internal Health Department policy in place for exempt employees.

Salt Lake County Human Resources Policy 5-300: Payroll section 3 states, "Each Department Director or Elected Official shall adopt written internal policies regarding compensatory time off for FLSA exempt employees."

Health Department Management stated that they "...do not have an internal policy regarding comp time for exempt employees, but we comply with County HR Payroll Policy 5-300: II.G.7, as during the audit period we were under a state of public health emergency due to COVID [-19 pandemic] response."

Section 7 states, "In the event of a disaster or emergency declaration by the Mayor, all merit employees (FLSA exempt and non-exempt) will record all hours worked including overtime hours. Merit FLSA exempt employees shall be paid for overtime hours worked that are directly related to a disaster or emergency declared by the Mayor. The rate for overtime hours worked shall be of one and one half (1 ½) times the regular rate."

In the absence of a written internal Health Department policy, outside of public emergencies, exempt employees may not have a clear understanding of when compensatory time may be due. Similarly, those charged with processing payroll may not be consistent when granting compensatory time and employees may receive conflicting guidance.

We recommend that Health Department Management establish written internal policies and procedures addressing compensatory time for exempt employees.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 11/6/23

SEE PAGE 26 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 7 AND RECOMMENDATIONS

Overtime Compensation Agreement forms not congruent with time earned

Risk Rating: **Moderate Risk Finding**

During the audit period, 448 Health Department employees, including both exempt and non-exempt personnel, recorded 3,197 payroll entries for comp time earned, comp time taken, and overtime. Non-exempt employees are paid at one-half times their regular rate for every hour over 40 per week unless the employee requests comp time. Employees utilize the Salt Lake County Human Resource Overtime Compensation Agreement form to submit their requests for comp time.

We selected 41 nonexempt employees for review. We found two employees (5%) with discrepancies between the time earned and the employee's preference indicated on the Overtime Compensation Agreement forms. A total of 16 hours were earned as overtime instead of compensatory time, as they had originally elected.

Human Resources Policy 5-300: Payroll Section F. Overtime and Compensatory Time for FLSA Non-Exempt Merit Employees 1. States that "Any non-exempt employee who works more than forty hours in a workweek will be paid one and one-half times their regular rate of pay for each hour worked in excess of 40 unless the employee requests compensatory time off. Employees may request in writing compensatory time off in lieu of cash payment prior to working the overtime hours."

Salt Lake County Human Resource Overtime Compensation Agreement form states "as a non-exempt employee subject to the Fair Labor Standards Act (FLSA), I may elect to receive overtime ... or compensatory time off."

Reporting time as overtime instead of compensatory time can lead to higher labor costs for the organization and potential budgetary overruns. Additionally, this incorrect reporting can also lead to non-compliance with legal requirements, potentially exposing the County to legal liabilities, fines, or penalties.

According to Health Department Management, one employee did request a change to comp time. However, the requested change was not processed by the payroll coordinator at that time. The second employee was on probation when electing to receive comp time. When her probation period was completed, the system reverted to the default of overtime. The issue was detected and corrected within one pay period.

We recommend that Health Department Management establish and implement controls to ensure overtime and compensatory time earned during each pay period are consistent with each employee's election.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 10/6/23

SEE PAGE 26 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 8 AND RECOMMENDATIONS

Insufficient documentation and entry of W-4 forms at the agency level, with no established procedure

Risk Rating: **Moderate Risk Finding**

The Employee's Withholding Certificate (Form W-4) issued by the Internal Revenue Service instructs Salt Lake County how much federal taxes to withhold from employee pay. We found that 4 out of 16 sampled Health Department employees (25%) hired during the audit period did not have W-4 forms on file. Employees status in the payroll system, PeopleSoft, was set to the default position of single with no exemptions.

According to IRS Publication 15, Circular E, Employer's Tax Guide and Topic No 305 Recordkeeping states, "After the employee completes and signs the Form W-4, you must keep it in your records for at least 4 years. This form serves as verification that you're withholding federal income tax according to the employee's instructions and needs to be available for inspection should the IRS ever request it. Form W-4 is still subject to review. You may be directed (in a written notice or in future published guidance) to send certain Forms W-4 to the IRS. You must be able to supply a hardcopy of an electronic Form W-4."

Management explained that new employee packets have always included a W-4 form, but it was the responsibility of the employee's supervisor to ensure its completion. However, this follow-up process was not consistently carried out. Mayor's Finance Administration indicated that agencies were responsible for W-4s. However, there was no Countywide Payroll policy establishing W-4 procedures, roles, and responsibilities.

When W-4 forms are not obtained from employees, tax withholding amounts may not be correct. Failure to maintain forms on file may leave the County unprotected in the event of an audit by the IRS.

We recommend that Health Department Management establish and document procedures for obtaining and entering W-4 forms. These procedures should outline the steps, individuals responsible, and timelines for collecting, storing, and updating W-4 forms.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 12/6/23

SEE PAGE 26 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that Health Department Management maintain hard or electronic copies of each employee's W-4 form for a minimum of 4 years.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 12/6/23

SEE PAGE 26 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

Auditor's note: Related findings and recommendations will be addressed to Mayors Financial Administration (MFA) and Payroll Administration congruent with their oversight role and related responsibilities. These recommendations will be detailed in a dedicated Audit Report specifically addressed to MFA.

FINDING 9 AND RECOMMENDATIONS

Termination requests submitted by the Agency's Information Services department lack the inclusion of the request date

Risk Rating: **Moderate Risk Finding**

During a test of 32 employees included in our sample of termination requests, we identified a deficiency in the Health Department's internal Information Services system for employee terminations, as it did not include a request date. Consequently, we were unable to ascertain whether the termination requests were made prior to the employees' last date of employment.

Including a request date in an information system for termination of access is generally considered good practice. The request date serves as an essential piece of information for tracking and documenting the timing of access terminations. It provides a clear record of when the request to terminate access was initiated, helping establish a chronological sequence of events and ensuring accountability. The request date can be useful for audit trails, compliance purposes, and investigations, enabling accurate record-keeping and demonstrating adherence to proper access management procedures.

Health Department Management stated that it is their understanding that the file creation date of the resulting termination PDF document aligns with the date of the termination request. Management did acknowledge that this date could be modified if the PDF document undergoes alterations or is re-saved, potentially leading to inaccurate historical records.

9.1

RECOMMENDATION

Establish and Implement Controls

We recommend that Health Department Management develop a reporting mechanism that documents the network termination request date.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 11/6/23

SEE PAGE 26 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

Agency Response



Jennifer Wilson, Salt Lake County Mayor
Angela C. Dunn, MD, MPH, Executive Director

September 19, 2023

Auditor Chris Harding, CPA
Office of the Auditor
Salt Lake County
2001 S State Street
Salt Lake City, UT 84121

Auditor Harding,

We appreciate the work of the auditor's office to assist with making our processes better. Many of the recommendations have already been implemented or will be implemented within the next 60-90 days.

Please find our response below to each of the recommendations made in your report.

AUDIT FINDING 1: Human Resources and Health Department list of positions requiring a background check did not match

RECOMMENDATION 1.1		
We recommend that Health Department Management work with Human Resources and the District Attorney's Office to review, validate, and update the list of positions requiring background checks, including the 6 positions noted.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	12/6/2023	Heather Edwards - Internal Services Director

Implementation Plan – Health Department met with Human Resources and the District Attorney's Office on May 23, 2023, to review Health Department positions requiring background checks. Due to time constraints the list was not fully reconciled during the meeting and Human Resources agreed that the Health Department would provide additional input via email. The targeted date for Health Department final input is September 22, 2023.

RECOMMENDATION 1.2		
We recommend that Health Department Management work with Human Resources and the District Attorney's Office to establish and conduct reviews of Health Department positions and the list of positions requiring a background check at periodic intervals, such as annually, to ensure the list remains up to date.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	12/6/2023	Heather Edwards - Internal Services Director

Implementation Plan – Health Department will review BCI positions annually with Human Resources during a reoccurring coordination meeting.

RECOMMENDATION 1.3		
We recommend that Health Department management consult with, and obtain the approval of, Human Resources and the District Attorney's Office whenever one or more positions should no longer require a background check.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	12/6/2023	Heather Edwards - Internal Services Director

Implementation Plan – Health Department will review BCI positions annually with Human Resources during a reoccurring coordination meeting.

AUDIT FINDING 2: Overtime and Compensatory time exceeded pre-approval limits

RECOMMENDATION 2.1		
We recommend that when overtime exceeds established limits for valid business reasons, management directives be updated and communicated through email or staff memos.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	Ongoing	Heather Edwards - Internal Services Director

Implementation Plan – Payroll Coordinator maintains and provides monthly overtime report to Health Department Director. This allows monthly overtime to be monitored by department leadership.

AUDIT FINDING 3: Timecards not approved by a supervisor

RECOMMENDATION 3.1		
We recommend that Health Department Management establish and document procedures regarding the review and approval of employee time by direct supervisors or managers		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	11/6/2023	Heather Edwards - Internal Services Director

Implementation Plan – the Health Department is creating a training for supervisors which outlines the expectations for approving time in PeopleSoft. As a note, PeopleSoft (FLUID) was updated mid-2022, non-direct supervisors do not have access to approve time for employees who do not report directly to them unless a delegation is set up. Delegation can only be completed by employees who have Manager Self Service access approved by MFA.

RECOMMENDATION 3.2		
We recommend that the Health Department Management establish clear procedures that address situations when the direct supervisor is unavailable to approve time. These procedures should include documentation requirements to ensure proper oversight and accountability		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	12/6/2023	Heather Edwards - Internal Services Director

Implementation Plan – the Health Department is creating training for supervisors which outlines the expectations for approving time in PeopleSoft, including when direct supervisors are unable to approve time. In addition, the Health Department will update the internal operating standard regarding time reporting and clarifying supervisor approval process.

AUDIT FINDING 4: Inadequate Segregation of Duties in Timecard Entries by Employee’s Supervisor

RECOMMENDATION 4.1		
We recommend that Health Department Management establish and document procedures regarding proper segregation of duties where supervisors are not involved in entering time for employees. This will minimize the risk of errors, bias, or fraud in the time reporting process.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	11/6/2023	Heather Edwards - Internal Services Director

Implementation Plan – Language has been added to the internal operating standard regarding time reporting clarifying that employees are responsible for entering work hours in their timesheets. The Health Department is creating training for supervisors which outlines the expectations for time entry and approval. Regarding the specific Tobacco Cadet employee referenced in the audit findings, Health Department management has confirmed that these employees are required to log their work hours themselves immediately following their shift, allowing for segregation of duties.

RECOMMENDATION 4.2		
We recommend that the Health Department Management implement a review process for timecard entries that were not made by the employee, requiring timecards to be reviewed and approved by a higher-level manager or by an independent reviewer who is at a higher organizational level.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	11/6/2023	Heather Edwards - Internal Services Director

Implementation Plan – the Health Department is creating training for supervisors which outlines the expectations for approving time in PeopleSoft, including the use of Delegating payroll approval to another manager and/or supervisor on their team when they are unable to approve time. The Health Department will work closely with MFA if assistance is needed to support the use of Delegation in the PeopleSoft system.

AUDIT FINDING 5: Both the Agency and Payroll Administration attributed retroactive payment calculation responsibility to the other party

RECOMMENDATION 5.1		
We recommend that Health Department Management establish clear and well-defined policies and procedures for calculating and verifying retroactive payments.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	10/6/2023	Heather Edwards – Internal Services Director

Implementation Plan – Using the Payroll Template Instructions document provided to agency payroll coordinators by MFA, Health Department Payroll Coordinator will create a spreadsheet to document all retroactive payment calculations. The calculated payment amount will be submitted to MFA on the Payroll Template document, per their request.

*Health Department welcomes any further guidance MFA can provide regarding the verification of these payments.

RECOMMENDATION 5.2		
We recommend that Health Department Management collaborates with Payroll Administration to establish a documentation retention system to ensure that supporting documentation of retro payments is maintained on file.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	10/6/2023	Heather Edwards – Internal Services Director

Implementation Plan – Retro payment calculation spreadsheets will be maintained on the Health Department’s shared network drive.

*Health Department welcomes any further guidance MFA can provide regarding the retention of this supporting documentation.

Auditor’s note: Related findings and recommendations will be addressed to Mayors Financial Administration (MFA) and Payroll Administration congruent with their oversight role and related responsibilities. These recommendations will be detailed in a dedicated Audit Report specifically addressed to MFA.

AUDIT FINDING 6: No internal policy for exempt employees compensatory time

RECOMMENDATION 6.1		
We recommend that Health Department Management establish written internal policies and procedures addressing compensatory time for exempt employees.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	11/6/2023	Heather Edwards – Internal Services Director

Implementation Plan – The Health Department has included clarifying language for FLSA-exempt employees in our internal operating standard regarding overtime.

AUDIT FINDING 7: Overtime Compensation Agreement forms not congruent with time earned

RECOMMENDATION 7.1		
We recommend that Health Department Management establish and implement controls to ensure overtime and compensatory time earned during each pay period are consistent with each employee's election.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	10/6/2023	Heather Edwards – Internal Services Director

Implementation Plan – Health Department Payroll Coordinator will verify receipt of written overtime and compensatory time selection for new hires within one pay period of their start date. Any overtime comp forms received from employees (new or existing) will be saved in the Health Department's personnel file for that employee. Health Department Payroll Coordinator has recently learned that elections automatically revert to overtime pay upon completion of merit probationary periods. Moving forward, the Health Department Payroll Coordinator will review elections of employees who have recently completed probation to ensure they are consistent with each employee's election.

AUDIT FINDING 8: Insufficient documentation and entry of W-4 forms at the agency level, with no established procedure

RECOMMENDATION 8.1		
We recommend that the Health Department Management establish and document procedures for obtaining and entering W-4 forms. These procedures should outline the steps, individuals responsible, and timelines for collecting, storing, and updating W-4 forms.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	12/6/2023	Heather Edwards – Internal Services Director

Implementation Plan – The Health Department will create internal standard operating procedures (SOP) that state the Payroll Coordinator will verify receipt of written W-4 forms for

new hires within one pay period of their start date. Any forms received from employees (new or existing) will be saved on the Health Department shared network drive after the tax status has been updated in PeopleSoft. It should be noted that recent updates to PeopleSoft allow employees to update their tax withholding themselves without the Payroll Coordinator's knowledge. For this reason, there is no opportunity for collection or storage of the W-4 form other than the information being submitted to PeopleSoft.

RECOMMENDATION 8.2		
We recommend that Health Department Management maintain hard or electronic copies of each employee's W-4 form for a minimum of 4 years.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	12/6/2023	Heather Edwards – Internal Services Director

Implementation Plan – The Health Department will maintain all W-4 forms that are received by the Payroll Coordinator on our Health Department shared network drive. We will make a request to the County GRAMPA committee that W-4 forms be added to the Countywide retention schedule.

*Health Department welcomes any further guidance MFA can provide regarding the retention of this supporting documentation.

Auditor's note: Related findings and recommendations will be addressed to Mayors Financial Administration (MFA) and Payroll Administration congruent with their oversight role and related responsibilities. These recommendations will be detailed in a dedicated Audit Report specifically addressed to MFA.

AUDIT FINDING 9: Termination requests submitted by the Agency's Information Services department lack the inclusion of the request date

RECOMMENDATION 9.1		
We recommend that Health Department Management develop a reporting mechanism that documents the network termination request date.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	11/6/2023	Heather Edwards – Internal Services Director

Implementation Plan – Health Department will maintain a spreadsheet including termination request and network termination dates.