

AUDIT REPORT

An Audit of Council Tax Administration

JANUARY 2024



PAYROLL

SALARIES



Chris Harding, CPA, CFE, CIA
County Auditor

Office of the Auditor
Salt Lake County

Audit Team

Brenda Nelson, CISA, Audit Manager
Tammy Brakey, Sr. Internal Auditor
Abigail Cooper, Internal Auditor

Audit Management

Chris Harding, CPA, CFE, CIA, County Auditor
Richard Jaussi, MBA, Chief Deputy Auditor
Roswell Rogers, Senior Advisor
Shawna Ahlborn, Audit Division Director

Audit Committee

Marty Van Wagoner, CPA, MBA



Office of the Auditor
Salt Lake County
2001 S State Street, Ste N3-300
Salt Lake City, UT 84190-1100
Phone: (385) 468-7200

www.slco.org/auditor

Salt Lake County Auditor



Chris Harding, CPA, CFE, CIA
County Auditor

2001 S State Street, Ste N3-300, Salt Lake City, UT 84190
Phone: (385) 468-7200 www.slco.org/auditor

AUDITOR'S LETTER

January 2024

I am pleased to present the results of our audit of the Council Tax Administration for the period from September 1, 2021, to August 31, 2022. This audit was aimed at evaluating the adequacy and effectiveness of internal controls and compliance with fiscal ordinances, policies, and procedures in the Council Tax Administration.

Our examination revealed several significant areas of concern that necessitate immediate action to enhance accuracy, efficiency, and compliance. These include issues with timecard approvals, inadequate segregation of duties, confusion over retroactive pay responsibilities, lack of a policy for exempt employees' compensatory time, delays in access termination requests, and security lapses in handling personal identifiers. These findings underscore the need for more stringent control measures, written procedures, and enhanced training to ensure compliance, mitigate risks, and improve overall operational effectiveness.

In light of these findings, we strongly urge the Council Tax Administration to promptly review and implement the detailed recommendations in the attached audit report. Addressing these issues is crucial to safeguarding the operational and financial integrity of the county.

This audit was authorized under 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 conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

We appreciate the cooperation and assistance provided by the Council Tax Administration during this audit. For further information or clarification regarding this report, please feel free to contact me at 385-468-7200.

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

CONTENTS

RISK CLASSIFICATIONS.....	2
BACKGROUND	3
OBJECTIVES AND SCOPE.....	3
AUDIT CRITERIA	4
METHODOLOGY.....	5
CONCLUSIONS.....	5
FINDING 1: TIMECARDS NOT APPROVED BY A SUPERVISOR.....	6
FINDING 2: INADEQUATE SEGREGATION OF DUTIES	8
FINDING 3: AGENCY DID NOT UNDERSTAND RETRO PAY RESPONSIBILITIES.....	11
FINDING 4: NO INTERNAL POLICY FOR EXEMPT EMPLOYEE’S COMPENSATORY TIME.....	13
FINDING 5: ACCESS TERMINATION REQUESTS NOT SUBMITTED TIMELY.....	15
FINDING 6: PERSONAL IDENTIFIERS NOT PROPERLY SECURED	17
AGENCY RESPONSE	19



COUNCIL TAX ADMINISTRATION PAYROLL AUDIT

JANUARY 2024

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

Timecard approvals by individuals lacking sufficient authority

The United States Government Accountability 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."

We reviewed all 25 Council Tax Administration employees, with over 4,000 timecard entries. For all 25 employees, we determined an individual who was not their designated supervisor approved 1,365 entries (32%), as indicated in PeopleSoft. We noted that four employees reported a total of 101 hours of overtime or compensatory time. Among these four employees, one employee (25%) had 34.75 hours approved by an individual who was not their supervisor. Moreover, the job title and grade of those approving the time did not align with that of a supervisor or manager.



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 Council Tax Administration 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 Payroll Administration, Human Resources, and twelve County Agencies.

For the audit period, the Council Tax Administration's payroll encompassed a workforce of 25 employees, with cumulative earnings of \$635,000.

The Council Tax Administration'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

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 Code of Ordinances Chapter 2.81 - Security of Personal Identifiers establishes the need to keep confidential and secure all personal identifier within the agency's control, and sets forth the responsibilities to have in place a written regulation or policy which establishes procedures for the secure collection, maintenance, transmission, transfer, or disposal of personal identifiers.

US Government Accountability 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

During the COVID-19 pandemic, payroll operations throughout the County were more vulnerable to deviations from existing internal controls derived from established policies and procedures. While we did not find evidence of wrongdoing, we noted payroll operations did not comply with several key controls, including those required by County policy, such as:

- Timecards not approved by a supervisor
- Inadequate segregation of duties
- Both the Agency and Payroll Administration attributed retroactive payment calculation responsibility to the other party
- No internal policy for exempt employee's compensatory time
- Access termination requests not submitted timely
- Personal identifiers not properly secured

As a result, there is an increased risk of undetected errors and omissions, potential fraud, waste, and abuse related to time keeping and payroll processing. To mitigate these risks and improve operational effectiveness, it is crucial for Council Tax Administration Management to establish and implement written policies and procedures regarding payroll processing, including practices to monitor for compliance. In addition, management should collaborate with Human Resources (HR) and Mayors Finance Administration (MFA) Payroll Administration to expand and reinforce Countywide policies and procedures related to Payroll.

FINDING 1 AND RECOMMENDATIONS

Timecards Not Approved by a Supervisor

Risk Rating: **Significant Risk Finding**

Employee timecards are essential for maintaining accurate records of work hours, streamlining payroll processes, and ensuring compliance with labor laws, county and division policies. They also provide crucial data for stakeholders.

Council Tax Administration employees input their work hours into the County payroll system, PeopleSoft. Prior to processing an employee's payroll, their timecards must receive approval. Our audit testing encompassed all 25 Council Tax Administration employees, reviewing over 4,000 timecard entries. During the audit period, we noted four employees reported a total of 101 hours of overtime or compensatory time.

We found that all 25 employees had a total of 1,365 entries (32%) approved by an individual who was not their designated supervisor, as indicated in PeopleSoft. Among the four employees with compensatory time, one employee (25%) had 34.75 hours approved by an individual who was not their supervisor. Moreover, the job title and grade of those approving the time did not align with that of a supervisor or manager.

Per the United States Government Accountability 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, the Tax Administrator explained that, in his absence, he has designated the Board of Equalization Administrator to provide approval. Additionally, he mentioned a long-standing practice of the Administrative Assistant approving his time. However, the Administrative Assistant, reporting directly to the Tax Administrator, should not be approving time for that position. Furthermore, the Administrative Assistant's responsibilities extend to approving for all the Council Tax Administration hearing officers, despite the Tax Administrator stating that he was the individual aware of the time that they worked.

When supervisors do not approve employee timecards, employee accountability may be diminished. Additionally, this increases the risk

A startling 32% of the entries were authorized by individuals other than the employees' designated supervisors, contravening internal protocols and potentially compromising the integrity of payroll data.

of non-compliance with policies, laws, and regulations, as well as the potential for payroll inaccuracies. Individuals who do not directly oversee the employee may be unaware of the hours worked or the authorized schedule, creating a potential for fraud, waste, and abuse. Furthermore, the practice of a subordinate approving their supervisors time introduces the risk of power misuse.

1.1	RECOMMENDATION	Written Procedures
-----	----------------	--------------------

We recommend that Council Tax Administration Management establish and implement written procedures that include:

- Clearly defined guidelines outlining the process for reviewing and approving employee time by their direct supervisors or managers.
- Procedures addressing situations in which the direct supervisor is unavailable to approve time, specifying necessary documentation required to ensure proper oversight and accountability.
- Implementation of safeguards to ensure that the approval is not provided by a subordinate.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 60 DAYS

SEE PAGE 19 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

1.2	RECOMMENDATION	Delegation
-----	----------------	------------

We recommend retaining documentation on file whenever a supervisor does not approve the employee's timecard. Council Tax Administration can achieve this by utilizing PeopleSoft's delegation and comments feature, making use of the comments section during timecard approval, or through alternative documentation methods.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 60 DAYS

SEE PAGE 19 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 2 AND RECOMMENDATIONS

Inadequate Segregation of Duties.

Risk Rating: **Significant Risk Finding**

Management acknowledged that changes to employees' timecard hours were communicated verbally but not officially recorded.

We tested timecards for Council Tax Administration employees to identify entries and edits made by individuals other than the employees themselves. One employee used paper timesheets submitted via email to the Administrative Assistant, who then entered the time into PeopleSoft. Subsequently, the Administrative Assistant also approved the time in PeopleSoft, resulting in poor segregation of duties. To assess the accuracy, we compared a sample of the employee's time in PeopleSoft to the original timecard submitted for 10 pay periods. We identified inaccuracies in work dates entered into PeopleSoft for three out of the 10 pay periods reviewed (30%).

We found that 10 of the remaining 24 employees had a total of 40 time entries or edits made by another party. For five of these employees, nine edits resulted in additional time being recorded. However, the documentation on file did not confirm that the employees were informed of and consented to these changes. The same user, either the Tax Administrator or the Administrative Assistant, entered and approved all edits, indicating yet another instance of poor segregation of duties.

The United States Government Accountability Office (GAO) 2014 Standards for Internal Control in the Federal Government, Section OV1.01, states,

“Internal control is a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. These objectives and related risks can be broadly classified into one or more of the following three categories: Operations, Reporting, or Compliance.” Risk is defined as “the possibility that an event will occur and adversely affect the achievement of objectives.” Section 10.02 states that “Management designs control activities to...address identified risk”. Sections 10.13 and 10.14 explain that “In particular, segregation of duties can address the risk of management override.” “If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational

process.”

Council Tax Administration Management explained that if employees forget to enter their time in PeopleSoft or encounter issues, the Tax Administrator or Tax Administrative Assistant will enter the information on their behalf. Management indicated that, at the time, verbal communications occurred but were not formally documented among the employees who had edits to the hours entered on their timecards.

Failure of employees to record their work hours accurately can lead to discrepancies and errors, as evidenced by an incident in PeopleSoft where an employee was underpaid by 2.25 hours due to incorrect time entry.

When employees do not enter the time they worked, it increases the risk of errors or inaccuracies. A specific instance of this occurred in PeopleSoft, where one employee did not receive payment for 2.25 hours of work due to a discrepancy in the entered time. Furthermore, when someone other than the employee enters timecards, it may diminish the employees’ sense of accountability for the accuracy of their timecards. Finally, when supervisors enter employee time and approve their timecards, a clear separation of duties is not maintained.

2.1

RECOMMENDATION

Written Procedures

We recommend that Council Tax Administration Management establish and document procedures for ensuring proper segregation of duties in the entry and approval of employee time, including paper timesheets, late entries, and adjustments.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 60 DAYS

SEE PAGE 19 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

2.2

RECOMMENDATION

Review Process

We recommend that Council Tax Administration Management implement a review process for timecard entries requiring timecards to be reviewed by an independent reviewer who is at a higher organizational level.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 60 DAYS

SEE PAGE 19 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 3 AND RECOMMENDATIONS

Agency Did Not Understand Retro Pay Responsibilities

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 period¹. 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.

Our review of retroactive payroll payments at the Council Tax Administration revealed that while a retro payment was processed for an employee, there was no supporting documentation for the payment calculations. The lack of formalized procedures and training for handling retro payments has led to confusion over roles and responsibilities, creating a vulnerability where payroll inaccuracies could go undetected, potentially resulting in underpayment or overpayment of employees.

During the audit period, Council Tax Administration processed one retro payment for an employee. Although there was documentation on file explaining the reason for the retro payment, there was no documentation supporting the calculations performed for the payments.

The agency payroll coordinator is responsible for calculating and providing amounts due when retro payments were required. Both HR and MFA stated that MFA Payroll Administration is responsible for re-performing and verifying the agency provided calculations. However, Council Tax Administration Management stated that they did not provide any calculations because it was "all done by Mayor's Finance".

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..."

County Human Resources Policy 5-300: Payroll, II. 4. States that "each payroll unit is responsible for recording their information in the payroll system."

While County Policy places responsibility for payroll submission at the agency level, there are no written procedures regarding retroactive payments. This gap arises from the absence of formal Countywide Payroll Procedures and internal agency written procedures, along with a lack of training for Payroll Coordinators. As a result, Council Tax Administration

¹ Code of Federal Regulations § 778.303 Retroactive pay increases. "Where a retroactive pay increase is awarded to employees as a result of collective bargaining or otherwise, it operates to increase the regular rate of pay of the employees for the period of its retroactivity..."

lacks a clear understanding and consistency in handling retroactive payments.

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.

3.1

RECOMMENDATION

Policies and Procedure

We recommend that Council Tax Administration Management establish clear and well-defined policies and procedures for calculating and verifying retroactive payments.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 60 DAYS

SEE PAGE 19 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

3.2

RECOMMENDATION

Supervisor Approval

We recommend that Council Tax Administration Management work with Payroll Administration to establish a documentation retention system to ensure that documentation supporting retro payments is maintained on file.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 60 DAYS

SEE PAGE 19 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 4 AND RECOMMENDATIONS

No Internal Policy for Exempt Employees' Compensatory Time

Risk Rating: **Moderate Risk Finding**

Without a written internal policy for exempt employees, there is ambiguity around compensatory time accrual, risking inconsistencies and misinterpretations in compensatory time granted for overtime work, particularly during non-emergency situations.

The Fair Labor Standards Act (FLSA) classifies employees either as exempt or non-exempt. Exempt employees typically do not receive overtime pay for hours worked beyond the standard 40-hour workweek.

At Salt Lake County, each agency is responsible for determining and documenting through written policy whether exempt employees accrue compensatory time for overtime hours worked. Council Tax Administration Management stated that there was no internal Council Tax Administration 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."

Council Tax Administration Management conveyed that they were not familiar with County HR Payroll Policy 5-300: II.G.7 but agreed to consider drafting a policy.

In addition, the agency provided an Overtime Compensation Agreement form for one exempt employee. However, the form states that it is for "non-exempt employees". Furthermore, the employee signed the provided form in both the "Employee" and "Division Director" signature fields, and the signing date occurred after the period during which compensatory time was earned.

Section 7 of the Overtime Compensation Agreement form does provide clarity regarding overtime during a disaster or emergency, stating that "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."

However, the Council Tax Administration Department's lack of a written internal policy for exempt employees may lead to a lack of clarity regarding when compensatory time is due outside of a public emergency. The lack of formal guidance could also lead to inconsistencies in the granting of compensatory time by those responsible for payroll processing, potentially causing employees to receive conflicting guidance.

We recommend that Council Tax Administration Management establish and implement written internal policies and procedures addressing compensatory time for exempt employees.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 60 DAYS

SEE PAGE 19 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that Council Tax Administration Management ensure separation of duties be in place in the signature approval sections of the Overtime Compensation Agreement form and that form only be used for non-exempt staff.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 60 DAYS

SEE PAGE 19 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 5 AND RECOMMENDATIONS

Access Termination Requests Not Submitted Timely

Risk Rating: **Moderate Risk Finding**

The audit uncovered lapses in Salt Lake County Council Tax Administration's offboarding process, with two former Council Tax Administration employees' access terminations being delayed—13 days in one case and a concerning 207 days in the other.

When an employee departs from Salt Lake County employment, the agency must perform certain offboarding procedures. These procedures involve terminating the employee's access to the County network, PeopleSoft and any external timekeeping software. Agencies submit a "Termination" Employee Personnel Action Request (ePAR) in PeopleSoft and Network termination is requested via an Information Technology Division service request.

During the audit period, two employees from Council Tax Administration parted ways with Salt Lake County. We found that access removal requests for both individuals were not initiated on a timely basis.

In the first instance, the agency initiated the termination ePAR and network removal thirteen days after the employee's termination date. In the second case, the termination ePAR and network removal requests were not initiated until 207 days after the employees last workday.

Human Resources maintains and publishes an "Offboarding Checklist" for supervisors. This checklist outlines that, while supervisors may not be directly responsible for every task mentioned, they are accountable for ensuring that all tasks are completed. Some of the tasks listed on the "Offboarding Checklist" involve deactivating all agency-specific and network access for the departing employee.

In a June 30, 2017, article released by The Society for Human Resource Management (SHRM) titled "How Proper Offboarding Can Help Prevent Data Breaches" they emphasized the importance of having policies in place to protect data both physically and virtually. Citing findings from the 2017 Cost of a Data Breach Study conducted by IBM Security and the Ponemon Institute, it was revealed that "malicious insiders or criminals caused 47 percent of all breaches." "The average cost per record to resolve such an attack was \$156."

The SHRM article outlined several best practices for offboarding, and one of the key steps emphasized was the timely deactivation of employees' access to computers, including all network accessibility. This practice serves as a vital measure to help prevent potential data breaches and safeguard sensitive information.

The Salt Lake County Human Resources Division Countywide Policies do not provide guidance on access termination requests or their required

timing. Management stated the second employee worked as a temporary Hearing Officer. Council Tax Administration kept the Hearing Officer's status active in the payroll system pending the annual assessment of caseload. During this evaluation period, Council Tax Administration determined that the employee was no longer needed.

Former employees retaining access to timekeeping systems pose a risk as they can potentially manipulate timesheets or attendance records, leading to inaccurate payroll processing or fraudulent time entries. Additionally, maintaining access to network resources exposes the organization to potential malicious activities, including unauthorized data copying or deletion, operational disruptions, or infecting systems with malware. The active account could also be used by someone other than the former employee.

5.1

RECOMMENDATION

Policies and Procedures

We recommend that Council Tax Administration Management establish and implement Policies and Procedures for employee offboarding including the timing of access termination to sensitive data and systems, including timekeeping and network access.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 60 DAYS

SEE PAGE 19 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

5.2

RECOMMENDATION

Network Access

We recommend that Council Tax Administration Management work with Information Technology to ensure the timely removal of employees from network access upon termination of employment.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 60 DAYS

SEE PAGE 19 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

Personal Identifiers Not Properly Secured

Risk Rating: **Moderate Risk Finding**

When an individual begins employment, the organization gathers personal information to create the employee's HR and payroll record. Agencies have the option to store these records physically or digitally. To safeguard the confidentiality and security of personal information, individuals who require access to perform their job duties should have limited access to this documentation.

Council Tax Administration retained documents containing personal information in hard copy format, stored within a filing cabinet. This cabinet was placed in an area accessible to all employees, with primary usage by the Administrative Assistant. The key to the cabinet was stored in an unlocked drawer within the same area.

Such lax security protocols significantly increase the risk of data breaches and identity theft, potentially exposing the county to legal and financial consequences.

Salt Lake County Code of Ordinances Chapter 2.81 - Security of Personal Identifiers states in 2.81.020 that "County agencies shall ensure that all personal identifiers in the agency's control are kept confidential and secure and are not used for any purpose other than a bona fide government necessity...Each agency shall have in place a written regulation or policy which establishes procedures for the secure collection, maintenance, transmission, transfer, or disposal of personal identifiers."

The Administrative Assistant explained that she left the key unsecured to allow other staff access to the filing cabinet, especially during periods when she is unavailable.

When personal information is not properly secured, it heightens the risk of unauthorized access and potential misuse of the data. This situation could potentially lead to employees falling victim to identity theft, and the County may be subject to legal fines and fees.

We recommend that Council Tax Administration implement measures to restrict access to documents containing employee personal identifier information. Management should consider the following options:

- Securing the key on the person of the Administrative Assistant
- Utilizing a key lockbox for authorized personnel
- Securely scanning documents and limiting access to the folder on the network drive

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - ALREADY IMPLEMENTED

SEE PAGE 19 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

Agency Response



January 17, 2024

Council-Tax Administration
Brad Neff
Tax Administrator

Salt Lake County Government Center
2001 South State Street, N2-300
PO Box 144575
Salt Lake City, UT 84114-4575

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

Dear Auditor Harding,

We have received the audit report regarding the payroll audit that your office recently completed. We appreciate the time spent and the depth of the audit. We have examined the report thoroughly and respond to each audit finding below. The response indicates whether we agree with the recommendation and a target date to complete implementation of each recommendation.

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

AUDIT FINDING 1: Timecards Not Approved by a Supervisor

RECOMMENDATION 1.1 We recommend that Council Tax Administration Management establish and implement written procedures that include: <ul style="list-style-type: none">• Clearly defined guidelines outlining the process for reviewing and approving employee time by their direct supervisors or managers.• Procedures addressing situations in which the direct supervisor is unavailable to approve time, specifying necessary documentation required to ensure proper oversight and accountability.• Implementation of safeguards to ensure that the approval is not provided by a subordinate.		
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	60 Days	Brad Neff

Because of a unique structure and direct supervisors who are mostly part-time employees with schedules that don't always match payroll timelines, Council Tax Administration (CTA) has had the Payroll Coordinator approve time for our hearing officers. She gathers timesheets and compares the time that hearing officers work with their PeopleSoft payroll time submissions.

She has also reconciled any differences between the timecard and PeopleSoft time. After approving the time, she reported to the Tax Administrator regarding the time entered on the same day that payroll is approved. Going forward, we intend to have the Payroll Coordinator continue to gather the payroll data, provide the data to supervisors, and then have supervisors approve the hearing officers' time. We will work to provide written procedures regarding the approval of time so that proper segregation of duties occurs. Regarding the approval of the Tax Administrator's payroll, we have already changed the procedure so that his time is approved by Council staff. This occurred some months ago.

RECOMMENDATION 1.2		
We recommend retaining documentation on file whenever a supervisor does not approve the employee's timecard. Council Tax Administration can achieve this by utilizing PeopleSoft's delegation and comments feature, making use of the comments section during timecard approval, or through alternative documentation methods.		
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	60 Days	Brad Neff

CTA will incorporate this recommendation into its internal payroll policies and procedures document and utilize the comment and delegation features in PeopleSoft.

AUDIT FINDING 2: Inadequate Segregation of Duties

RECOMMENDATION 2.1		
We recommend that Council Tax Administration Management establish and document procedures for ensuring proper segregation of duties in the entry and approval of employee time, including paper timesheets, late entries, and adjustments.		
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	60 Days	Brad Neff

CTA will incorporate this recommendation into its internal payroll policies and procedures document.

RECOMMENDATION 2.2		
We recommend that Council Tax Administration Management implement a review process for timecard entries requiring timecards to be reviewed 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	60 Days	Brad Neff

As set forth above, we intend to have the Payroll Coordinator continue to gather the payroll data. She will then provide the data to supervisors, and have supervisors approve the hearing officer's time. We will work to provide written procedures regarding the approval of time so that proper segregation of duties occurs. Regarding the approval of the Tax Administrator's payroll, we have already changed the procedure so that his time is now approved by Council staff. This occurred some months ago.

AUDIT FINDING 3: Agency Did Not Understand Retro Pay Responsibilities

RECOMMENDATION 3.1		
We recommend that Council Tax Administration 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	60 Days	Brad Neff

CTA will incorporate this recommendation into its internal payroll policies and procedures document.

RECOMMENDATION 3.2 We recommend that Council Tax Administration Management work with Payroll Administration to establish a documentation retention system to ensure that documentation supporting 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	60 Days	Brad Neff

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 4: No Internal Policy for Exempt Employees' Compensatory Time

RECOMMENDATION 4.1 We recommend that Council Tax Administration Management establish and implement 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	60 Days	Brad Neff

CTA will incorporate this recommendation into its internal payroll policies and procedures document.

RECOMMENDATION 4.2		
We recommend that Council Tax Administration Management ensure separation of duties be in place in the signature approval sections of the Overtime Compensation Agreement form and that form only be used for non-exempt staff.		
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	60 Days	Brad Neff

CTA will incorporate this recommendation into its internal payroll policies and procedures document.

AUDIT FINDING 5: Access Termination Requests Not Submitted Timely

RECOMMENDATION 5.1		
We recommend that Council Tax Administration Management establish and implement Policies and Procedures for employee offboarding including the timing of access termination to sensitive data and systems, including timekeeping and network access.		
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	60 Days	Brad Neff

CTA agrees that it would be prudent to include in its payroll policies and procedure document information regarding the unique manner in which seasonal/temporary hearing officers are invited or uninvited to return to work for CTA at the end of each Board of Equalization season. CTA believes that it has timely terminated any non-returning hearing officers but will include policies and procedures to explain the manner and timing of termination so that it is clear to outside parties.

RECOMMENDATION 5.2 We recommend that Council Tax Administration Management work with Information Technology to ensure the timely removal of employees from network access upon termination of employment.		
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	60 days	Brad Neff

Please see the response to Recommendation 5.1.

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: Personal Identifiers Not Properly Secured

RECOMMENDATION 6.1 We recommend that Council Tax Administration implement measures to restrict access to documents containing employee personal identifier information. Management should consider the following options: <ul style="list-style-type: none"> • Securing the key on the person of the Administrative Assistant • Utilizing a key lockbox for authorized personnel • Securely scanning documents and limiting access to the folder on the network drive 		
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	Completed	Brad Neff

Some months ago, CTA changed its procedure for securing personal identity information by storing and securing the key to the file on the person of the Administrative Assistant.

We appreciate the opportunity to respond to the payroll audit. We recognize the importance of segregating duties to mitigate risks. In the next 60 days we will formulate payroll policies and procedures consistent with County policies and best practices. Where appropriate we will

coordinate with Mayors Financial Administration and Payroll Administration to better mitigate risk. We appreciate your professionalism in completing the audit, and value your advice.

Sincerely,

A handwritten signature in blue ink that reads "Brad Neff". The signature is written in a cursive style with a large initial "B" and "N".

Brad Neff
Tax Administrator