Council Auditor's Office

Follow-Up on JEA Payroll Audit

Report #777A

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OFFICE OF THE COUNCIL AUDITOR
   Suite 200, St. James Building

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Honorable Members of the City Council
City of Jacksonville

The purpose of this report is to document our follow-up review of our past report #777, JEA Payroll Audit released on May 25, 2016, and to determine whether corrective action has been taken in response to our findings and recommendations. We are providing this special written report in accordance with Ordinance Code Section 102.102. This report does not represent an audit or attestation conducted pursuant to Government Auditing Standards.

We reviewed our recommendations and the auditees' responses from the original audit report. We sent a follow-up letter to JEA on September 4, 2018 inquiring as to the status of the original audit report recommendations. We reviewed the recommendations from our audit report, the auditees' responses to the recommendations, and the auditees' responses to our follow-up letter. We then performed limited testing to verify JEA's responses. Based on the responses received and our follow-up testing, a table detailing the original number of issues noted and the number of issues resolved as of this follow-up is included below.

Types of Issues	Original Number of Issues	Issues Cleared	Remaining Issues
Internal Control Weaknesses	4	2	2
Findings	2	2	0
Opportunities for Improvement	3	1	2
Total	**9**	**5**	**4**

The following is a brief summary of the remaining issues with responses from JEA that we received on October 24, 2019.

Internal Control Weakness 1 *Excessive Access Rights/No Electronic Approval Paths*

During the original audit, we found various issues with excessive access rights such as employees who had the ability to change salaries, deductions, bank account numbers and social security numbers as well as reactivate terminated employees. We also found that there were no electronic approval paths within Oracle for human resource and payroll-related changes. We recommended that JEA review access rights for everyone who has any level of access related to human resources and payroll, and that they consider the possibility of adding electronic approval path functionality to Oracle.

During follow-up testing we found that 18 Oracle users still have the ability to change the Social Security Number of another employee. This ability should be limited to users who set up new employees. JEA also stated that they had no plans to add electronic approval path functionality due to planned Oracle upgrades in the next 2-5 years. We recommend that JEA review the applicable access levels and responsibilities to ascertain whether there is a necessity to have the ability to change social security numbers. We recommend this be addressed in the planned Oracle upgrade. We also recommend the upgrades include the addition of electronic approval path functionality as stated in the original audit.

JEA Response to the Follow-Up of Internal Control Weakness 1

Agree ☒   Disagree ☐   Partially Agree ☐

As self reported and stated in the findings, the 18 Oracle users with access to edit the social security numbers on employee records are all either Human Resource or Technology Services employees. JEA does utilize an electronic access control system called Identity Manager. Attestation for these employees with these security profile responsibilities are reviewed quarterly. Any new employees seeking access must also be approved through the IDM electronic approval path. As stated in the previous audits, these user security group profiles were established during the current Oracle version launch in 2010. JEA has determined the operational risk would be to great to attempt to change them at this late stage of the product life. JEA will continue to monitor and control this list of authorized users as previously stated using the IDM electronic approval system. JEA will also continue to use a human based peer review process to insure accurate entry when adding or changing vital employee records. JEA will seek an automated verification functionality to replace the human process when the next generation HRIS/HCM System (Oracle or other) is acquired.

Internal Control Weakness 3 *No Written Peer Review Verification*

In the original audit, we found that there was no evidence that a peer review was completed for payroll changes to ensure they were accurate in the system. We recommended that the person who entered the change in Oracle as well as the peer reviewer both sign the change document indicating that the change was made accurately. We also recommended that JEA consider creating a report of all payroll changes made so that it can be reviewed by the Payroll Manager for reasonableness.

During our follow-up review, we found that that even though JEA did implement the peer review process, they did not create a payroll changes report. JEA stated that the creation of this report would not be done at this time due to planned Oracle upgrades in the next 2-5 years.

We recommend that the planned Oracle upgrades include the addition of a payroll changes report that can be reviewed by the Payroll Manager as stated in the original audit.

JEA Response to the Follow-Up of Internal Control Weakness 3

Agree ☐   Disagree ☐   Partially Agree ☒

In response to the initial 2016 audit, the payroll department at JEA did implement a peer review process and procedure to validate manual entry of vital payroll records. Following an internal investigation, the payroll and technology staff members concluded that creating a comprehensive change report would be complex, very expensive and would yield so much data that it would not be an effective tool for review. In FY20 JEA payroll will internally reassess and scope a short list of the most vital and high impact manual inputs and work with technology to determine if a manageable change report can be developed. In addition JEA will seek an automated verification functionality when the next generation payroll system (Oracle or other) is acquired.

Opportunity for Improvement 1 *Payroll Adjustments Review*

In our original audit, we found that there was a Payroll Adjustments element that allowed payroll personnel to add extra money to an employee's pay for any reason. We recommended that either the Payroll Manager or JEA's Internal Audit Group periodically review the Payroll Adjustments pay element to ensure that the amounts included in this element are properly authorized. During our follow-up, we discovered that this review was not being conducted.

We recommend that payments made with the Payroll Adjustments pay element be reviewed periodically as was stated in our original audit report. We also recommend, as stated by JEA in their response in the original report, that they perform a review of all pay elements to determine if more descriptive elements need to be added to reduce the need for the Payroll Adjustments element.

JEA Response to the Follow-Up of Opportunity for Improvement 1

Agree ☒   Disagree ☐   Partially Agree ☐

The audit of the payroll adjustment element was lead by the Payroll Manager and completed by the department late in the 1st quarter of FY19. Since then, all department staff have been instructed to get manager approval before the element is entered. This requirement has been added to the current processing procedure. As part of this procedure, once an adjustment has been processed a copy of the Gross to Net Payroll Report is provided to the Payroll Manager who will attest and record the reason for the use of the element and then initial and date the Gross to Net report. The report will be stored with the current cycle payroll records to serve as documentation of the completed requirement.

Opportunity for Improvement 3 *Step Pay Automation*

In the original audit, we discovered that step pay increases are implemented in a manual fashion – a JEA employee runs a report monthly to determine if a step increase is necessary. If so, that employee changes the pay step in the applicable employee's record manually. We recommend that the planned Oracle upgrades include the addition of step pay automation as stated in the original audit.

JEA Response to the Follow-Up of Opportunity for Improvement 3

Agree ☒   Disagree ☐   Partially Agree ☐

JEA agrees with your recommendation as stated in the initial management response dating back to the original audit. However the same technology and cost constraints cited at that time are still in effect today. JEA agrees to monitor this opportunity and consider implementing the improvement suggestion if it becomes more feasible, affordable and of a greater benefit in the future.

The four items discussed above have not been resolved at least partly due to the fact that the current system is nearing the end of its life cycle and JEA believes it would not be cost effective to make changes to the current system. Based on the items that remain outstanding at this point in time, we will not perform an additional follow-up in the future at the normal point in time, but instead will perform a new audit after the implementation of a new system.

We would like to thank JEA for their cooperation in conducting this follow-up review.

Sincerely,

Kyle S. Billy

Kyle S. Billy, CPA
Council Auditor