

Employee Payroll Deductions



Objectives

- Determine if payroll deductions are properly authorized and calculations are accurate.
- Determine if proper internal controls are in place to ensure payroll deductions are submitted timely and accurately to the appropriate third party.
- Determine if an accurate and timely reconciliation is prepared between the payroll account and the general ledger.

Background

The purpose of the audit was to review employee payroll deductions and the policies and procedures over employee payroll deductions. The audit scope included a review of voluntary payroll deductions, current system access, and policies and procedures as they are currently in place.

The City of Sioux Falls (City) offers its employees a wide range of benefits. Employees have the option to participate in several voluntary deduction programs. Voluntary deductions are deductions that employees have the option to elect to participate in. Such benefits include health insurance, dental insurance, vision insurance, deferred compensation, union dues, flexible spending accounts, third party insurance, or charitable contributions.

In calendar year 2019, the payroll voluntary employee deductions totaled \$10.8 million for the City. Of the 1,213 total City employees in 2019, over 1,100 employees participated in at least one of the voluntary deductions that were included in the scope of this audit.

What We Found

Finding 1: Completed ACH forms for nine after payroll vendors are not on file in the Munis financial system.

- The City did not require vendors to reregister with the migration to the Munis software system. The information that had been set up in the previous financial system was used in the vendor set up in the Munis system.
- Keeping necessary, required ACH paperwork on file is critical to ensuring that vendor accounts are set up in the system with the correct bank account information so that payments go to the correct vendor account.
- Not having this information on file could create an opportunity for fraud, if a fraudulent request to update a vendor bank account was received by the City.

What We Recommend

- We recommend that management ensure that ACH forms are completed, signed, and filed for all vendors that the City of Sioux Falls issues payment to electronically.

Future Opportunity

- Health and dental deductions and the process relating to health and dental deductions would be an option for a detailed audit of its own. This would allow for intentional focus specifically on the details involving all aspects surrounding the health and dental deductions, contracts, and accounts. We would suggest that this audit be considered in future annual audit plan development.

Figure 2: Employee Voluntary Deductions

