HRMS Audit – Agency Considerations

The State Auditor's Office issued its audit report of the Human Resource Management System (HRMS) on February 2, 2009. Since then, DOP and OFM have been collaborating to respond to the audit. Six agencies representative of state government have also provided input toward resolution of the audit's five findings, which are listed below.

1. An excessive number of employees at state agencies have access to critical functions in HRMS.
2. An excessive number of employees in payroll offices have conflicting duties in HRMS.
3. Users can make unauthorized changes to data in HRMS. Data changes are not approved by supervisors before being processed within HRMS and supervisors are not reviewing changes made.
4. HRMS is not supported by a disaster-recovery "hot" back-up site.
5. A number of manual HRMS processes should be automated.

SAAM assigns responsibility to agencies for adequate internal controls, including controls over payroll processing. There is no one-size-fits-all solution, and agencies ultimately need to ensure their own controls function properly. That said, DOP and OFM are collaborating on resources to assist agencies in the area of payroll processing controls.

In developing their corrective action plans, DOP and OFM are including many activities toward addressing control weaknesses that may be associated with agency payroll processing. Agencies are encouraged to take advantage of this work where feasible. Activities address areas such as role assignment, segregation of duties, and compensating controls.

The activities include the following:

1. With SAO input, DOP is implementing specialized centralized payroll-processing roles to remove excessive access.
2. DOP and OFM are conducting a decentralized role review to be completed during CY 2010.
3. DOP and OFM have developed some general guidelines agencies should consider when developing their internal control systems and policies. See the lists below.
4. DOP and OFM are evaluating funding options for automated tools and a disaster-recovery "hot" back-up site. DIS is also involved in the back-up site.
5. DOP and OFM are evaluating HRMS change reports, such as Logged Changes in Infotype Data and CATS_DA, for ease of use. DOP is evaluating them for potential changes.
6. OFM is developing additional resources such as best practices, checklists, and agency self-assessment tools. Any materials developed will be evaluated for inclusion in OFM's existing training program and/or training in conjunction with DOP.

To maintain good internal control and address issues noted in the audit, agencies should:
1. Reduce the number of employees with critical authorizations to the extent possible.
2. Implement internal controls to compensate for HRMS internal control weaknesses. Specifically, agencies should:
    a. Properly authorize source documentation.

      b. Perform supervisory review of source documentation to system entry.
      c. Consider implementing the following critical authorization and segregation of duties steps.

Critical Authorization Actions – Agencies should have the fewest number individuals with critical authorizations and should therefore consider the following segregation of duties risk areas and put compensating controls in place where critical authorizations must still be assigned.

1. An individual without personnel/payroll access should periodically review employees' HRMS access and limit assignment of critical authorization roles both individually and in combination.
   a. Where feasible, inquiry roles could be assigned instead of update roles.
   b. In a small agency, the director might do this review, especially if he or she does not have HRMS access themselves.
2. Agencies, including small ones, should have procedures in place to remove access when an individual changes positions or leaves the agency.
3. Consider assigning existing Time and Attendance Processors as the backup for Time and Attendance Processors in other areas of the agency instead of assigning access to additional users.
4. Consider assigning existing Payroll Processors as the backup for Payroll Processors in other areas of the agency instead of assigning access to additional users.

Segregation of Duties Actions – Agencies should consider the following segregation of duties risk areas and put compensating controls in place where these segregations cannot be made.

1. Individuals responsible for hiring, terminating and approving promotions should not be directly involved in preparing payroll or personnel transactions or inputting data.
   a. Separating payroll and personnel duties is important and should be done whenever possible.
   b. Monitoring is essential when this separation cannot be maintained.
2. Individuals with security roles should not be assigned other update roles.
   a. Monitoring role change activity is always important and more so when this separation cannot be maintained.
3. Individuals involved in payroll data entry should not have payroll approval authority or security update access.
4. Individuals who are part of the payroll staff should not enter changes to their own data files.
   a. Agencies, including small ones, should develop a policy that defines
      i. When this may happen
      ii. Documentation and monitoring that is needed when it happens
5. Consider assigning existing Time and Attendance Processors as the backup for Time and Attendance Processors in other areas of the agency instead of assigning access to additional users
6. Individuals responsible for reviewing payroll variances should not have the access needed to change employee salary data or security update access.
   a. The report run for approval should always be run by someone without access to change employee data. It may be run by the person who is approving the report.

7. Individuals responsible for approving the payroll register should not have the access needed to change employee salary data or security update access.
   a. The report run for approval should always be run by someone without access to change employee data. It may be run by the person who is approving the report.
8. Individuals responsible for processing payroll should not have the access needed to add individuals to or delete them from HRMS or security update access.
9. Consider assigning existing Payroll Processors as the backup for Payroll Processors in other areas of the agency instead of assigning access to additional users.

Key points to remember are: the HRMS system is complex, each agency has unique business needs, resolution requires effort from everyone involved, and this will be an ongoing effort with a significant body of work already accomplished and yet to be accomplished.

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