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Assignment 10113

October 11, 2006

To: Distribution List

Subject: Internal Audit Report – Payroll Account Reconciliations Follow-up Audit

We have completed a follow-up audit of payroll account reconciliations. We conducted the audit during December 2005 through August 2006 covering the current period.

We thank the Controller-Treasurer Department for their cooperation. Their assistance contributed significantly to the successful completion of the audit.

Respectfully submitted,

Signature on file

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# COUNTY OF SANTA CLARA



## INTERNAL AUDIT REPORT

### Payroll Account Reconciliations Follow-up Audit



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## Executive Summary

**Conclusion** The recommendations made in the Controller-Treasurer Department Custody Audit (dated June 5, 2001) affecting the Payroll Revolving Fund and related account reconciliations have been implemented. The Payroll Unit staff is reconciling and resolving accounting problems in a timely manner, however, there is one reporting requirement that had not been implemented.

The Controller-Treasurer Department's Payroll Unit is in agreement with our finding and recommendation.

**Audit Objective and Scope** The objective of this follow-up audit was to determine whether the recommendations made in the Controller-Treasurer Department Custody Audit (dated June 5, 2001) affecting the Payroll Revolving Fund and related account reconciliations have been implemented. The audit's scope included:

- Verifying that all revolving fund general ledger accounts under the Payroll Unit's control are reconciled timely.
- Assuring that all reconciling items are resolved timely.
- Confirming that all interface coding, e.g. PeopleSoft tables to general ledger accounts is documented.
- Confirming that all procedures are documented.

**Audit Background** In 2001, we completed a custody audit of the Controller-Treasurer's Department and recommended some internal control improvements affecting the Payroll Revolving Fund. Our professional standards require us to monitor and ensure that the recommendations have been implemented or that management has accepted the risk of not implementing the recommended actions.

We conducted our audit in accordance with the Professional Practices Framework established by the Institute of Internal Auditors.

Details about the findings and recommendations are provided below.

Signature on File

Bill Perrone, CIA  
Supervising Internal Auditor

**Finding and Recommendation**

**Finding**

**There needs to be a procedure requirement to notify the department's senior management of any significant unresolved reconciliation differences.**

The purpose of reconciling general ledger control accounts to supporting subsidiary ledgers is to ensure the accuracy of the information in each system. When there are differences, it indicates a need for updating one or both sets of information. The longer the differences go unresolved, the more difficult it usually becomes to resolve them. Thus, the 2001 audit report recommended the payroll staff notify senior management of any existing aged unresolved differences. While the payroll staff updated its policies and procedures for other prior audit recommendations, it inadvertently omitted this recommendation. Although we did not find any evidence of material unresolved differences, the Payroll Unit significantly improved their reconciliation procedures and should update its procedures for reporting unresolved differences.

**Recommendation**

At least annually, the Payroll Unit manager should notify the Disbursements Division manager of any unresolved differences exceeding three months in duration and \$10,000. [Priority 3]

**Management Action Taken**

Before concluding this audit, the Payroll Unit manager updated the procedures as recommended.