

# Internal Audit Department

O R A N G E C O U N T Y  
5<sup>th</sup> Largest County in the USA

**Critical  
Impact  
Audit**

## CAPS+ HR/PAYROLL AUDIT ALERT No. 1:

### FIRST INTERIM REVIEW OF SELECTED INTERNAL CONTROLS AND PLAN FOR CENTRAL PROCEDURES/TRAINING

This CAPS+ **Audit Alert** No. 1 addresses our first interim review of 1) selected planned internal controls and 2) written procedures and training planned for the central HRD and A-C/Payroll functions. We will continue to review selected internal control decisions as they are made during the implementation process.

We found:

- 1) Three types of payroll transactions and one type of HR transaction that should have a system enforced supervisory review.
- 2) HRD should consider adding themselves to the automated workflow approval process for certain personnel actions.
- 3) HRD and A-C/Payroll need to develop a plan for written procedures and training for the centralized HRD and A-C/Payroll functions.

We identified four (4) recommendations that will improve the planned internal controls and/or improve the system documentation. The CAPS Steering Committee concurred with all four (4) of our recommendations.

The purpose of the CAPS+ **Audit Alert** is to promptly bring to the CAPS Steering Committee's attention important potential issues for their immediate assessment and, if necessary, corrective action. The process incorporates an accelerated management response timeline to ensure the timely completion and dissemination of audit issues so as to not impede progress of the CAPS+ Implementation Project.

AUDIT No: 2944-A  
REPORT DATE: JUNE 3, 2010

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**Deputy Director:** Eli Littner, CPA, CIA, CISA  
**Senior Audit Manager:** Autumn McKinney, CPA, CIA, CISA  
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**RISK BASED AUDITING**

GAO & IIA Peer Review Compliant – 2001, 2004, 2007

-  2009 Association of Certified Fraud Examiners' Hubbard Award to Dr. Peter Hughes For the Most Outstanding Article of the Year
-  2008 Association of Local Government Auditors' Bronze Website Award
-  2005 Institute of Internal Auditors' Award for Recognition of Commitment to Professional Excellence, Quality, and Outreach

 ORANGE COUNTY BOARD OF SUPERVISORS'  
**Internal Audit Department**

*GAO & IIA Peer Review Compliant - 2001, 2004, 2007*

*Providing Facts and Perspectives Countywide*

**RISK BASED AUDITING**

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**OC Fraud Hotline (714) 834-3608**



## Transmittal Letter



**Audit No. 2944-A June 3, 2010**

**TO:** CAPS Steering Committee:  
David Sundstrom, Auditor-Controller, Chair  
Bob Franz, Chief Financial Officer, Vice-Chair  
Satis Ajmani, Chief Information Officer  
Carl Crown, Human Resources Director  
Shaun Skelly, Auditor-Controller, Senior  
Director of Accounting and Technology

**FROM:** Dr. Peter Hughes, CPA, Director  
Internal Audit Department

**SUBJECT:** CAPS+ HR/Payroll **Audit Alert** No. 1 – First  
Interim Review of Selected Internal Controls  
and Plan For Central Procedures/Training

Attached is our CAPS+ HR/Payroll **Audit Alert** No.1 for the CAPS+ HR/Payroll Implementation Project.

Each month I submit an **Audit Status Report** to the Board of Supervisor (BOS). Accordingly, the results of this CAPS+ **Audit Alert** will be included in a future status report to the BOS.

Unlike our traditional audit reports, we will not perform a follow-up audit for this CAPS+ **Audit Alert** in six months. However, depending on materiality, any recommendations not implemented could be included in a future CAPS+ **Audit Alert**.

We will request the CAPS Steering Committee to complete a **Customer Survey** of our services. You will receive the survey shortly after the distribution of our final CAPS+ HR/Payroll **Audit Alert** No. 1

As always, the Internal Audit Department is available to partner with your staff so that they can successfully address or mitigate difficult audit issues. Please feel free to call me should you wish to discuss any aspect of our CAPS+ **Audit Alert**.

### ATTACHMENTS

Other recipients of this CAPS+ HR/Payroll Audit Alert No. 1 are listed on page 3.

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# OC Internal Auditor's Report



Audit No. 2944-A

June 3, 2010

**TO:** CAPS Steering Committee:  
David Sundstrom, Auditor-Controller, Chair  
Bob Franz, Chief Financial Officer, Vice-Chair  
Satish Ajmani, Chief Information Officer  
Carl Crown, Human Resources Director  
Shaun Skelly, Auditor-Controller, Senior Director of  
Accounting and Technology

**FROM:** Dr. Peter Hughes, CPA, Director  
Internal Audit Department

**SUBJECT:** **CAPS+ HR/Payroll Audit Alert No. 1** – First Interim  
Review of Selected Internal Controls and Plan for Central  
Procedures/Training

## CAPS+ Audit Alert

The purpose of a CAPS+ HR/Payroll **Audit Alert** is to quickly bring to the CAPS Steering Committee's attention important potential issues for their assessment and, if necessary, corrective action.

Because of the importance of the CAPS+ HR/Payroll Implementation Project's schedule, timely feedback is critical. As such, this CAPS+ **Audit Alert** is not subject to the same rigor and formality of a traditional report in that we have not fully developed the issues and have not verified the accuracy of all information.

The CAPS+ **Audit Alerts** have an accelerated management response timeline to ensure the timely dissemination of audit issues so as to not impede progress of the CAPS+ Implementation Project.

## OBJECTIVE

We have performed our first interim review of selected internal controls being designed for the new CAPS+ HR/Payroll system. We also gained an understanding of whether a plan has been established for development of centralized Human Resources Department (HRD) and Auditor-Controller (A-C)/Payroll procedures and training.

The CAPS+ HR/Payroll Implementation Team is currently developing internal controls and related documentation (internal control documents, procedures, and job aides) for the new system. We will continue to review selected internal controls as they are developed during the implementation process.

## BACKGROUND

The CAPS+ HR/Payroll Implementation Project scope is to migrate the current human resources and payroll environment from version 2.x to 3.x of the software. It is our understanding the project scope is limited to replicating current existing functionality and business processes in the new system.

As described in our MOU signed June 11, 2009, the Internal Audit Department's role on the CAPS+ HR/Payroll Implementation Project is reviewing and providing feedback on the internal controls contained in the internal control documents (ICDs) and written procedures developed by the CAPS+ HR/Payroll Implementation Team for the new system.

The primary purpose of our review is to review and provide feedback whether selected processes being developed and *draft* documentation contain appropriate internal controls in the key areas of:



1. Proper segregation of duties;
2. Appropriate reviews and approvals;
3. Audit trails related to preservation of source documents and recording of reviews and approvals; and
4. Sound account reconciliations.

Internal Audit's review provides feedback that should be considered by the CAPS+ HR/Payroll Implementation Team as they finalize the processes, internal control decisions, and related documentation.

## SCOPE

Our review was limited to inquiry and discussions with project team members (and not a review of internal control documentation) as the internal controls and procedural documentation are in the process of being developed and will be available for our review later in the implementation.

In the interim, we obtained a *draft* listing of the CAPS+ documents planned for implementation (as of 3/18/10) including those documents planned for automated workflow. The listing also identified whether a written procedure, job aide, and instructor-led training was being developed for the documents.

In CAPS+, a "document" is a method by which transactions are created and update the system. The automated workflow is an electronic routing of the document/transaction so that supervisory review and approvals can be performed and enforced by system rules.

We also discussed the planned training and procedural documentation for central Human Resources Department (HRD) and Auditor-Controller (A-C) functions.

## RESULTS

Based on our discussions, we found:

- 1) Three types of payroll transactions and one type of human resources transaction that should have a system enforced supervisory review.
- 2) HRD should consider adding themselves to the automated workflow approval process for certain personnel actions.
- 3) HRD and A-C/Payroll need to develop a plan for written procedures and training for the centralized HRD and A-C/Payroll functions.

We identified four (4) recommendations for your assessment that will improve the planned internal controls and/or improve the system documentation which are noted in the Detailed Observations, Recommendations and Management Responses section of this report.

## ACKNOWLEDGMENT

We appreciate the courtesy and cooperation extended to us by the personnel of the CAPS+ HR/Payroll Implementation Project Team, the Human Resources Department, the Auditor-Controller, and the CAPS Steering Committee. If you have any questions regarding our CAPS+ **Audit Alert** No. 1, please call me directly at (714) 834-5475 or Eli Littner, Deputy Director at (714) 834-5899, or Autumn McKinney, Senior Audit Manager at (714) 834-6106.

# OC Internal Auditor's Report



Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

Members, Board of Supervisors  
Members, Audit Oversight Committee  
Thomas G. Mauk, County Executive Officer  
Foreperson, Grand Jury  
Darlene J. Bloom, Clerk of the Board of Supervisors

**CAPS+ Project Advisory Committee:**

Bill Castro, Director, Auditor-Controller/Satellite Operations  
Phil Daigneau, Director, Auditor-Controller/Information Technology  
Marc Gallonio, Manager, Human Resources Department  
Barbara Gondo, Manager, Human Resources Department/Employee Benefits  
Jan Grimes, Director, Auditor-Controller/Central Operations  
Frank Kim, Director, CEO/Budget Office  
Joel Manfredo, CTO, CEO/Information Technology  
Steve Rodermund, Manager, CAPS Program Management Office

**Selected members of CAPS+ HR/Payroll Project Management Team:**

Larry McCabe, Project Manager, CAPS+ HR/Payroll Implementation  
Kim Evans, Assistant HR Project Manager, CAPS+ HR/Payroll Implementation  
Sylvia Lozano, Assistant Payroll Accounting Project Mgr, CAPS+ HR/Payroll Implementation  
Victoria Ross, Senior Manager, Auditor-Controller/Claims and Disbursing  
Kim Peters, Manager, Auditor-Controller/Claims and Disbursing  
Scott Sanders, Senior Systems Program Analyst, Human Resources Department  
Ray Stephens, Manager, Auditor-Controller/Information Technology  
Mitch Tevlin, Manager, CEO/Budget  
Teresa White, Assistant Payroll Project Manager, CAPS+ HR/Payroll Implementation

**Vendors:**

Sylvia Linn, GCAP, Quality Assurance Manager  
Rick Roberts, GCAP, Consultant

# Detailed Observations, Recommendations and Management Responses



## 1. Supervisory/Independent Review of Certain Payroll and HR Documents:

In CAPS+, a “document” is a method by which transactions are created and update the system. Automated workflow is an electronic routing of the “document” so that supervisory review and approvals can be performed and enforced by system rules. A review and approval process enforced by system rules helps ensure transactions are valid, accurately input, and comply with policies and regulations.

### Payroll Documents:

34 payroll “documents” are *tentatively* planned for implementation in CAPS+ HR/Payroll. The actual numbers are being revised and are expected to be fewer.

- 33 of the 34 documents will be used by central Auditor-Controller (A-C)/Payroll. The remaining 1 document will be used by both County departments and central A-C/Payroll.
- 1 of the 34 documents above is being planned for automated workflow. This document (TADJ) is a most critical document.
- 33 of the 34 documents above are not planned for automated workflow. What this means is that these 33 documents processed by central A-C/Payroll will not be subject to supervisory review in the system.

We reviewed the 33 payroll documents and identified at least 3 documents where an independent review enforced by the system should be developed as follows:

1. Net Pay Distribution (NPD): This document is used to change the employee’s direct deposit payroll bank account.

The current manual review process is that the payroll clerk will forward the manual direct deposit request form (signed by the employee) to a supervisor for review. However, **if the payroll clerk were to intentionally redirect the direct deposit to their own bank account, there is no control (including detective reports) to prevent this.** Additionally, CAPS+ does not have a system edit capability to limit the number of direct deposits made to the same bank account. Such a facility could limit the exposure risk of improper redirected payroll deposits.

2. One-Time Payment (OTPAY): This document is used to make “one-time” payments to an employee. One-time payments can be negative or positive; positive payments increase the employee’s gross pay. Examples are lump-sum payouts for retiree medical, election pay, and military wage adjustments.
3. One-Time Deduction (OTDED): This document is used to make “one-time” deductions to an employee’s paycheck. One-time deductions can be positive or negative; negative deductions increase the employee’s gross pay. Examples are rideshare/bus pass credits processed by HR/Employee Benefits, adjustments to an employee’s retirement contribution amount as identified by OCERS, and optional benefit plan healthcare reimbursements.

# Detailed Observations, Recommendations and Management Responses



A system limit of \$100,000 per OTPAY or OTDED document is planned for CAPS+. The risk is that a single person can process and approve additional monies (up to \$100,000) added to an employee paycheck.

A bi-weekly report of OTPAY and OTDED transactions is currently available in CAPS, but is not being reviewed by A-C/Payroll. A similar report is planned for CAPS+. The report would be available during a short window before the monies are disbursed (about 1 day for regular payroll and about ½ day for supplemental payroll) to allow for supervisory review that could be preventative (vs. after the fact or detective). While this manual review may be an option, a more effective option would be a system enforced review. Also, the bi-weekly report will include interface transactions and it may be more difficult to differentiate the more frequent interface transactions vs. the less frequent direct input transactions needing review.

## Human Resources Documents:

33 human resource “documents” are *tentatively* planned for implementation in CAPS+ HR/Payroll. The actual numbers are being revised and are expected to be fewer.

- 15 of the 33 documents will be used only by central Human Resources Department (HRD). 18 of the 33 documents will be used countywide by the departments.
- 5 of the 18 departmental documents above are being planned for automated workflow. This includes several most critical documents (such as the ESMT and PSMT). The ESMT document is a more complex document associated with about 88 types of personnel actions.
- The remaining 13 departmental documents and 15 central HRD documents are not planned for automated workflow. What this means is that these 28 documents will not be subject to supervisory review in the system.

We reviewed the 28 human resource documents and identified at least one (1) document where an independent review enforced by the system should be developed as follows:

1. Employee Identification Change Form (EICF): This document is used to change an employee’s social security number, identification number, and name. This document will be used countywide by the departments. This single document is powerful in that it will update multiple related and historical records.

Because of the importance of the social security number, any changes to it should require an independent review, preferably before the change is finalized.

In summary, we identified three (3) payroll documents and one (1) human resources document that should be considered for automated workflow prior to the CAPS+ go-live. The CAPS+ HR/Payroll Implementation Team should review the remaining documents for consideration of automated workflow post go-live.

# Detailed Observations, Recommendations and Management Responses



## Potential Solutions:

We met and discussed the above issues with members of the CAPS+ HR/Payroll Implementation Team. They have concerns with the impact of implementing any new workflows on the project schedule and go-live date of January 1, 2011.

For the three (3) payroll documents (NPD, OTPAY, and OTDED), as an alternative to automated workflow, the CAPS+ HR/Payroll Implementation Team is evaluating segregating the "create" vs. "submit" functions via two security roles. This appears to be a reasonable solution. While this may not have all the control "bells and whistles" of an automated workflow, it can result in a system enforced review of the document. The "submitter" will not be allowed to change the document. The segregation of duties will be enforced by the system as long as no one person is assigned both the "creator" and "submitter" roles. This solution is feasible as the users (about 8) will be limited to central A-C/Payroll.

For the one (1) human resources document (EICF), the CAPS+ HR/Payroll Implementation Project Team is evaluating an automated workflow as this document is used countywide by the departments. The EICF document will require a review only if there is a change to the social security number (limits the number of transactions requiring review) and will utilize the same automated workflow and roles as the ESMT document (to leverage existing work instead of creating new roles, etc.).

In discussions with CAPS+ HR/Payroll Implementation project management, they agree that these four (4) transactions should have an independent review and believe they can implement the above proposed solutions. They plan to bring the proposed solutions to the CAPS+ Project Advisory Committee and CAPS Steering Committee for approval.

Implementing these changes before go-live will likely cost less in total than implementing after go-live. However, the CAPS Steering Committee will need to consider any impact to project timelines.

**Recommendation No. 1:** We recommend that the CAPS Steering Committee consider implementing system enforced reviews of the NPD, OTPAY, OTDED, and EICF documents prior to the CAPS+ go-live date of January 1, 2011.

**CAPS Steering Committee Response:** Concur. Estimated Completion Date: December 31, 2010.

## Payroll Documents:

1. Net Pay Distribution (NDP): Will use security-based Initiator/Submitter roles in approval process.
2. One-Time Payment (OTPAY): Will use security-based Initiator/Submitter roles in approval process.
3. One-Time Deduction (OTDED): Will use security-based Initiator/Submitter roles in approval process.

## Human Resource Documents:

4. Employee Identification Change Form (EICF): Will use system workflow enforced processes and rules.



## 2. Adding HRD to the Automated Workflow for Selected Personnel Actions:

The Employee Status Maintenance (ESMT) document is a key document used countywide by the departments to process and record personnel actions. There are about 88 personnel action codes planned for implementation, tentatively organized into 12 categories:

1. Leaves
2. Hires
3. Premium Pay
4. Promotion
5. Status Change
6. Change Data
7. Separation
8. Transfer
9. Suspension
10. Performance
11. Salary Adjustment
12. Miscellaneous

The ESMT document is planned for automated workflow within the County departments. There will be a departmental creator and a departmental reviewer. The central Human Resources Department (HRD) is not planning to be a reviewer in the automated workflow.

The CAPS+ HR/Payroll Implementation Team is currently designing and configuring the ESMT automated workflow. We have identified two categories of personnel actions where HRD should consider adding themselves to the ESMT automated workflow:

### 1. Selected Pay Increases:

Certain pay increases are more subjective than others. For example, cost of living increases are typically a union negotiated fixed percentage whereas promotional or equity increases for management employees can vary and are more subjective.

In our recent Audit of Countywide Pension Practices, Audit No. 2913, we recommended pre-authorization of certain salary increases exceeding 15%. In their response to the audit, HRD agreed to “develop with the CEO’s office a process that will require CEO or designee’s approval for all non-negotiated salary increases above 15% for Law Enforcement Management, Executive Management, and Administrative Management employees.”

The CAPS+ implementation is a good opportunity to incorporate system enforced rules to implement CEO involvement in raises greater than 15%. Documentation of the CEO approval could be scanned into CAPS+ as an attachment to the ESMT document. The ESMT document could be electronically routed to HRD for validation of CEO approval.

# Detailed Observations, Recommendations and Management Responses



CAPS+ does not have the capability to route the ESMT document based on a percentage increase. Instead, the ESMT can be routed to HRD based on the relevant personnel action codes. For example, personnel action code MAEQT (management equity increase) would be a relevant action code whereas MSCHG (mass changes for upload) would not be. HRD would have to open each ESMT document routed to them to determine whether the increase was more than 15%. However, this is not expected to be overly burdensome as the number of non-negotiated salary increases for Law Enforcement Management, Executive Management, and Administrative Management employees is relatively small each pay period.

## 2. Rehire of Working Retirees:

The Human Resources Department (HRD) recently updated its working retiree policy. County departments must obtain the CEO's pre-authorization to hire a retiree.

The CAPS+ implementation is a good opportunity to incorporate system enforced rules to implement the CEO's authorization process for hiring of retirees. The CEO approved "Request for Working Retiree Form" could be scanned into CAPS+ as an attachment to the ESMT document. The ESMT could be electronically routed to HRD based on the REHRW (rehire working retiree) personnel action code. HRD could review to ensure that the ESMT document included the approved working retiree pre-authorization form.

The CAPS+ HR/Payroll Implementation Team is currently designing and configuring the ESMT workflow. Consideration should be given to adding HRD to the automated workflow of the ESMT document for selected personnel action codes. The automated workflow provides an opportunity for a more effective system process rather than the current manual review process.

In our discussions with CAPS+ HR/Payroll Implementation project management, this is a change to HRD's current decentralized business model and implementation project scope. They have concerns with the impact to the project schedule and go-live date of January 1, 2011.

Implementing these changes before go-live will likely cost less in total than implementing after go-live. Also, it would allow the HRD approval process to be tested in concert with the planned usage of 12 approval levels (CAPS+ has a maximum of 15 approval levels) that are being developed as a workaround in order to send customized email notifications for the ESMT document. However, the CAPS Steering Committee will need to consider the impact to project timelines.

**Recommendation No. 2:** We recommend that the CAPS Steering Committee consider adding HRD to the electronic workflow of the ESMT document when the personnel action codes are for certain pay increases and the rehire of retirees, before the CAPS+ go-live date of January 1, 2011.

# Detailed Observations, Recommendations and Management Responses



**CAPS Steering Committee Response:** Concur. Estimated Completion Date: December 31, 2010.

Employee Status Maintenance (ESMT):

1. **Selected Pay Increases:** Will implement system enforced rules and workflow on pay codes related to pay increases for Law Enforcement Management, Executive Management, and Administrative Management employees. HRD will set up the necessary business processes for reviewing these transactions.
2. **Rehire of Working Retirees:** Will incorporate system enforced rules and workflow to implement the CEO's authorization process for hiring retirees. HRD would be included to ensure that the ESMT document included the approved working retiree pre-authorization form.

**Recommendation No. 3:** If Recommendation No. 2 above is not implemented before CAPS+ go-live, we recommend that the CAPS Steering Committee ensure consideration is given to allowing capacity for future approvals in the ESMT workflow. The order of approval levels configured for the EMST document before go-live should be reviewed to ensure it does not prohibit the workflow capability of future approvals after go-live.

**CAPS Steering Committee Response:** See response to Recommendation No. 2 above.

### 3. Plan for Development of Procedures/Training for Central HR/Payroll Functions:

As noted in Observation No. 1 above, there are 34 payroll "documents" and 33 human resources "documents" *tentatively* planned for implementation in CAPS+ HR/Payroll. There is also 1 "document" each being developed for Payroll Accounting (PAM) and User Maintenance (Security and Workflow). The actual numbers are being revised and are expected to be less.

Of the 69 documents, procedures and job aides are being planned for 19 of these 69 documents. Instructor-led training is being planned for 17 of the 69 documents.

**Note:** The actual number of procedures/job aides planned for creation is larger than 19 as the ESMT document could have up to 47 job aides and the PSMT document could have 5 job aides.

The written procedures, job aides, and instructor-led training is being planned primarily for documents used countywide by the departments. The central Human Resources Department (HRD) and Auditor-Controller (A-C)/Payroll documents and processes are specifically excluded from the scope of the CAPS+ HR/Payroll Training and Documentation Plan and the CAPS+ HR/Payroll Department Procedure Plan.

It is understandable that priority is being given to countywide departmental processes. However, central HRD and A-C/Payroll also perform critical processes and attention should be given to their training and procedural documentation.

# Detailed Observations, Recommendations and Management Responses



A documented strategy should be created to identify, prioritize, and assign responsibility for ensuring that a minimum level of training and procedural documentation is developed for the central human resources and payroll functions. The procedures should not be limited to input and approval of CAPS+ documents as HRD and A-C/Payroll will also need to update existing procedures or create new procedures for their core monitoring and reconciliation duties.

Areas to be considered in the strategy include:

1. CAPS+ documents processed solely by central HRD and A-C/Payroll.
2. Monitoring and reconciliations performed by central HRD and A-C/Payroll such as:
  - Error corrections and overrides.
  - Manual review of exception and activity reports.
  - Monitoring progress of CAPS+ documents in pending status.
  - Reconciliation of system interface input/output to ensure complete recording in CAPS+.
  - Key reconciliations such as payroll bank accounts.
3. Maintenance of central CAPS+ system tables. Additional information:

A new tool for monitoring the central tables is being planned for CAPS+ HR/Payroll. The new tool is a reporting suite named AC360. AC360 includes interactive/relational reports listing the core tables and fields (cross-referenced), users with update access to the tables, which tables are being logged, and who made changes to the tables and when. We observed a preview of AC360 and it appears this tool will greatly assist the oversight and monitoring of the core system table updates and maintenance. We were informed project funding is available for the implementation of the AC360 reporting suite, but not for the written procedures for using AC360.
4. On-going CAPS+ system maintenance.

The CAPS+ HR/Payroll Implementation project management is aware of this issue. During our discussions, they indicated lack of available funding is the primary barrier to documenting and training the central human resources and payroll functions.

Although the CAPS+ HR/Payroll Implementation project management is aware of this issue, we are communicating this issue to facilitate discussion among the CAPS Steering Committee and executive management of HRD and A-C. If project funding is not available, the HRD and the A-C should ensure that internal strategies/plans are developed to ensure that a minimum level of training and procedural documentation is developed for each of their departments.

**Recommendation No. 4:** We recommend that the CAPS Steering Committee ensure that a strategy/plan is developed to ensure a minimum level of training and procedural documentation is prepared for the central human resources and payroll functions, including on-going maintenance of the CAPS+ system.

# Detailed Observations, Recommendations and Management Responses



## **CAPS Steering Committee Response:**

Concur. The project is already addressing this recommendation.

1. The vendor will use actual business scenarios in the training of the county's system administrators. These scenarios will be used to generate high-level, base documentation on the Human Resources and Payroll centralized processes and tasks.

The documentation will be bulleted and will address how these tasks should be approached with the new system.

Team members will be able to follow the training material in a step-by-step fashion.

2. The Project Management Office will use this baseline material to complete the job aids after the system goes live. The project will supply some support to this effort and will include its participation within its post production plan.

Budget constraints will impact such an effort. The final product will not be polished; however, it will provide the county with basic, usable documentation.

Estimated Completion Date: April 15, 2011.



## ATTACHMENT A: CAPS Steering Committee Response



DAVID E. SUNDSTROM, CPA  
AUDITOR-CONTROLLER

### AUDITOR-CONTROLLER COUNTY OF ORANGE

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May 27, 2010

TO: Dr. Peter Hughes  
Director, Internal Audit Department

SUBJECT: Response to Internal Audit No. 2944-A – CAPS+ Audit Alert #1 First Interim  
Review of Selected Internal Controls and Plan For Central Procedures

On April 28, 2010, your department issued Audit No. 2944-A, Audit Alert #1, First Interim Review of Selected Internal Controls and Plan For Central Procedures for the CAPS+ Human Resources/Payroll Upgrade Project. The attached response has been reviewed and approved by the CAPS Steering Committee.

If you have any questions, please contact Larry McCabe, CAPS+ Human Resources/Payroll project manager, at 796-0310 or [Laurence.McCabe@ac.ocgov.com](mailto:Laurence.McCabe@ac.ocgov.com).

David E. Sundstrom  
Auditor-Controller

DMS; lr  
Attachment



## ATTACHMENT A: CAPS Steering Committee Response (continued)

CAPS+ Audit Alert No. 1 Response  
May 27, 2010  
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### Distribution

|                                  |   |
|----------------------------------|---|
| CAPS Steering Committee          | Bob Franz, CEO, Chief Financial Officer<br>Shaun Skelly, Auditor-Controller, Senior Director<br>Accounting & Technology<br>Satish Ajmani, CEO, Chief Information Officer<br>Carl Crown, Human Resources Director  |
| CAPS+ Project Advisory Committee | Steve Rodermund, CAPS Program Manager<br>Jan Grimes, Auditor-Controller, Director, Central Accounting   |
| Operations                       | Phillip Daigneau, Auditor-Controller, Director, Information   |
| Technology                       | Joel Manfredo, CEO, Chief Technology Officer<br>Frank Kim, CEO, Budget Director<br>Barbara Gondo, Human Resources, Finance Manager – Employee   |
| Benefits                         | Marc Gallonio, Human Resources, Service Team Manager  |
| CAPS+ Project Management Team    | Laurence McCabe, Project Manager<br>Ray Stephens, Auditor-Controller<br>Mitch Tevlin, CEO/Budget<br>Judith Daza, Social Services Agency<br>James Eros, Orange County Community Resources<br>Joan Villanueva, Orange County Community Resources<br>Celia Nguyen, Healthcare Agency<br>Cecilia Novella, Auditor-Controller<br>Diane Ramos, Sheriff's Department<br>Sreasha Rao, CEO/IT<br>Scott Sanders, Human Resources Department/Benefits<br>Rosie Santiesteban, Human Resources Department/Administration<br>Autumn McKinney, Internal Audit Department<br>Teresa White, Auditor-Controller/Payroll<br>Sylvia Lozano, Auditor-Controller/Labor<br>Kim Evans, Human Resources Department |

# DETAILED FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES



## ATTACHMENT A: CAPS Steering Committee Response (continued)

| Alert Category   | Alert Recommendation  | Project Response   |
|--|---|--|
| <p>HR/Payroll Upgrade<br/>Audit Alert 2944-A<br/>Project Response</p> <p>Supervisory/Independent Review of Certain Payroll and HR Documents</p> <p>Payroll Documents:</p> <ol style="list-style-type: none"> <li>1. Net Pay Distribution (NPD): Used to change the employee's direct deposit.</li> <li>2. One-Time Payment (OTPay): Used to make one-time positive payments to increase employee's gross pay.</li> <li>3. One-Time Deduction (OTDED): Used to make a one-time deduction from an employee's paycheck. Payments increase an employee's gross pay.</li> </ol> <p>Human Resource Documents:</p> <ol style="list-style-type: none"> <li>4. Employee Identification Change Form (EICF): Used to</li> </ol> | <p>Consider implanting system enforced reviews of the NPD, OTPAY, OTDED, and EICF documents prior to go live.</p> | <p>Payroll Documents:</p> <ol style="list-style-type: none"> <li>1. Concur: Net Pay Distribution (NPD): Use security-based Initiator/Submitter roles in approval process. Estimated Completion Date: December 31, 2010</li> <li>2. Concur: One-Time Payment (OTPay): Use security-based Initiator/Submitter roles in approval process. Estimated Completion Date: December 31, 2010</li> <li>3. Concur: One-Time Deduction (OTDED): Use security-based Initiator/Submitter roles in approval process. Estimated Completion Date: December 31, 2010</li> </ol> <p>Human Resource Documents:</p> <ol style="list-style-type: none"> <li>4. Concur: Employee Identification Change Form (EICF): System workflow enforced processes and rules. Estimated Completion Date: December 31, 2010</li> </ol> |

# DETAILED FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES



## ATTACHMENT A: CAPS Steering Committee Response (continued)

HR/Payroll Upgrade  
Audit Alert 2944-A  
Project Response

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| <p>change an employee's social security number, identification number, and name. Updates multiple related and historical records</p> | <p>Adding HRD to the Automated Workflow for Selected Personnel Actions</p> | <p>The Employee Status Maintenance (ESMT) document is used countywide by the departments to process and record personnel actions.</p> <p>1. Selected Pay Increase: Based upon relevant action codes, route non-negotiated pay increases to HRD. Goal – provide HRD review and validation of CEO approvals on increases over 15%.</p> <p>2. Rehire of Working Retirees: Incorporate system enforced rules to implement the CEO's authorization process for the hiring of retirees.</p> | <p>Employee Status Maintenance (ESMT):</p> <p>1. Concur: Selected Pay Increase: Implement system enforced rules and workflow on pay codes related to pay increases for Law Enforcement Management, Executive Management, and Administrative Management employees. HRD will set up the necessary business processes for reviewing these transactions.<br/>Estimated Completion Date: December 31, 2010</p> <p>2. Concur: Rehire of Working Retirees: Incorporate system enforced rules and workflow to implement the CEO's authorization process for hiring retirees. HRD would be included to ensure that the ESMT document included the approved working retiree pre-authorization form.<br/>Estimated Completion Date: December 31, 2010</p> |
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# DETAILED FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES



## ATTACHMENT A: CAPS Steering Committee Response (continued)

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| <p>HR/Payroll Upgrade<br/>Audit Alert 2944-A<br/>Project Response</p> | <p>Plan for Development of Procedures/Training for Central HR/Payroll Functions</p> | <p>Central Human Resources Department (HRD) and Auditor-Controller (A-C)/Payroll documents and processes are specifically excluded from the scope of the CAPS+ HR/Payroll training and documentation plan. A document strategy should be created to identify, prioritize, and assign responsibility for ensuring that a minimum level of training and procedural documentation is developed for the central human resources and payroll functions.</p> | <p>Concur: The project is already addressing this recommendation.</p> <p>1) The vendor will use actual business scenarios in the training of the county's system administrators. These scenarios will be used to generate high-level, base documentation on the Human Resources and Payroll centralized processes and tasks.</p> <p>The documentation will be bulleted and will address how these tasks should be approached with the new system.</p> <p>Team members will be able to follow the training material in a step-by-step fashion.</p> <p>2) The Project Management Office will use this baseline material to complete the job aids after the system goes live. The project will supply some support to this effort and will include its participation within its post production plan.</p> <p>Budget constraints will impact such an effort. The final product will not be polished; however, it will provide the county with basic, usable documentation.</p> | <p>Estimated Completion Date: April 15, 2011</p> |
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