



**CHARLOTTE**<sup>SM</sup>

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**INTERNAL AUDIT**

**Audit Report  
Payroll PeopleSoft Data Accuracy  
Continuous Auditing Pilot Program  
July 31, 2014**

**City Auditor's Office  
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**Purpose and Scope**

This audit evaluated the accuracy of selected data fields in PeopleSoft records maintained by Human Resources. The data included employee master files and the payroll earnings primarily for calendar year 2013. Auditors also developed tests that can be used on a periodic basis to evaluate controls.

This report defines continuous auditing (CA) as automated procedures to perform repetitive tests. Although CA cannot be applied to every situation, auditors can program some procedures to run as needed, providing alerts to conduct specific follow-ups by identifying potential exceptions sooner.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This report is intended for the use of the City Manager's Office, Human Resources and City Council.

**Conclusion**

The City's employee master files, as maintained by the Human Resources Department, has a very high level of accuracy for selected data fields.

**Summary Results**

For critical data fields selected for testing, the audit found 100% completeness and validity. While the audit did not seek to verify the accuracy of each data component (e.g., an employee's birth date), testing did determine that data fields had been completed and met valid conformance criteria. That is, birth dates were within logical parameters, and social security numbers were determined to meet basic Social Security Administration limits (e.g., no numbers beginning with the digit 9, or ending with "0000"). Some employee home and work addresses need to be completed on a more timely basis. However, only four home addresses (which we judged to be the more critical data) were incomplete. Human Resources has a satisfactory plan to work with departments to improve this data. Internal Audit will follow-up by re-testing the data periodically.

## **Background**

The employee master files include personal and job data. The payroll earnings file includes each employee's weekly payroll data at the time the check was issued, including name, address, paycheck date, check number, pay period ending date, gross wages, net wages, total taxes, and total deductions.

## **Findings and Recommendation**

### **1. Certain fields selected for testing are complete and valid.**

In 2013, the City paid approximately 7,800 employees. Audit staff reviewed the employee master files in PeopleSoft for all of those employees and verified that paid employees' records had the following:

- Unique employee identification numbers (IDs).
- Valid IDs – All IDs consist of five characters, and all of the characters are numbers.
- Valid Social Security Numbers (SSNs) – All employees paid in 2013 had SSNs that complied with the numbering conventions used by the Social Security Administration.
- No missing birthdates – There were no blank birthdate fields in the PeopleSoft Person table for employees paid.
- Valid division, department, and cost center on the paycheck table – All employees had a department identification number shown on the Job table that matched or rolled up to a cost center in GEAC<sup>1</sup>.

### **2. Human Resources achieved a high level of employee data accuracy.**

The PeopleSoft 9.1 HR Entry Guide (Guide) outlines the instructions for each entry in PeopleSoft. Auditors used the Guide to evaluate certain fields in the database.

#### **SSN exceptions**

The Social Security Administration (SSA) issues and administers SSNs. According to its website:

SSA can post employee wages correctly only when employers and submitters report employee wages under the correct name and SSN. Recording names and SSNs correctly is the key to successful processing of annual wage reports. It saves the employer and the administration processing costs and allows SSA to properly credit your employees'

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<sup>1</sup> GEAC is the common name of the City's financial system in use during the audit.

earnings record. Credits to your employees' earnings record are important in determining their future eligibility and payment of SSA's retirement, disability and survivor benefits.<sup>2</sup>

Using the numbering convention followed by SSA, certain non-conforming (and therefore invalid) SSNs can be detected. For example, SSNs should always contain exactly nine digits. The first three digits cannot contain "000" or "666." The first digit cannot be "9," the middle two digits cannot be "00" and the last four digits cannot be "0000."

All of the employees paid during the audit period in 2013 had a conforming SSN in the employee master file. (Conformance with SSN conventions does not guarantee validity of each number, but provides a first level of assurance that the SSN has not been fabricated.)

The SSN entered into PeopleSoft must match the number on the Social Security card. The employee master file is modified if data entry errors are identified by a Human Resources (HR) review or by the employee. Thirteen SSNs were identified as non-conforming by the audit tests, and it was determined that these were entered inaccurately during calendar years 2012 and 2013. Payroll personnel corrected six in a month or less, and the other seven took two to eight months to identify and correct. HR noted that some temporary errors exist when employees have lost their cards and are awaiting a replacement from the SSA. For example, a government shut-down last year resulted in the delayed issuance of replacement cards. The most important part of the process is to ensure that each employee's W2 is accurately reported. The errors were corrected before any tax forms were delivered to employees.

#### Address exceptions

Address information is important because it is used by internal departments and external agencies. In addition, address data which is purposely or accidentally left incomplete can be used to facilitate the execution of a payroll diversion scheme. The audit found no evidence of any such scheme, and several other controls would need to be compromised in order for payroll checks to be diverted. However, it is important to improve the accuracy of addresses for operational efficiency, and to further reduce the opportunity for payroll-related revenue diversions.

A significant number of addresses entered into the PeopleSoft address master file do not comply with HR instructions, although some flexibility is allowed. According to the Guide, the Home Address and Physical Work Address should be entered and verified while the Mailing Address is optional. The Home Address must contain a complete Street Address, City, State, Postal/Zip Code, and County.<sup>3</sup> Work addresses for Police and Fire employees may not be current because of frequent location changes. Instead, these departments maintain their own database.

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<sup>2</sup> "Social Security Number Verification Service (SSNVS) Handbook." *Official Social Security Website*. Social Security Administration, February, 2013. Viewed April 29, 2014. <http://www.ssa.gov/employer/ssnvshandbk/>

<sup>3</sup> "PeopleSoft 9.1 HR Entry," Oracle User Productivity Kit, p 11.

Required data must be complete (not blank) and accurate in order to be reliable. The following table itemizes the issues raised with home addresses (for all employees) and physical work addresses (excluding CMPD and CFD employees):

Type of Address	Reason for Invalid Address	Count
Home	Incomplete address: Blank fields for either "Address 1", city, state, or zip code	4
Work	Blank fields for "Address 1" excluding Fire and Police	988
	Incomplete address: "Address 1" completed and blank fields for city, state, zip code or county	1,308

Employee ID exceptions

The Guide states that when a former employee is rehired, HR uses the old ID to help with consistent employment history. Auditors found that several years ago three rehired employees were issued a new ID rather than the old number. (Two of those employees no longer work for the City.) HR has customized PeopleSoft so that these errors will not reoccur.

Recommendation

Human Resources should work with City departments to improve the accuracy and timely completion (and updating) of employee address data.

Human Resources Response: Human Resources will be working with the Departmental HR Liaisons to request that work, home and/or mailing addresses are completed accurately and timely. HR has scheduled a meeting with the Liaisons for early August.