



Internal Control Tip of Week – Payroll Processes

By Thomas D. Canby, Jr. posted 5 days ago

0 Recommend

There are more moving parts connected to the payroll processing than nearly any other operational area in a school district. Also, there are no exemptions for smaller-enrollment school districts. When one considers 85 percent of school districts' operating expenditures are for payroll and benefits, it's difficult to overstate the importance of internal controls over payroll and benefits.

Does your district have a "Plan B," if your district should have a planned or unplanned absence of one or more payroll office employees? Increased automation of payroll systems and direct deposit means large payrolls are supported by far fewer payroll office employees than ever. Many districts' payroll systems have various unique features and functionality especially related to how timekeeping systems and substitute employee systems interface. Accordingly, staff assigned to payroll and benefit processing are not easily replaced, and always require training and orientation to their new employer's systems. Documentation of payroll processes helps ensure smooth transitions when changes in staffing occur for any reason, in addition to ensuring consistency and accuracy in the preparation of all payrolls.

Documentation of payroll processing procedures should contain, at a minimum, information related to the following topics:

- Payroll department functions, segregation of duties, data system security and other general information;
- Payroll data management related to employee demographic information, pay and job information, account code distribution, deductions, leaves and the payroll file;
- Payroll processing from preparation of the payroll, posting of leave and timekeeping data, payroll calculations, posting the payroll to the payroll master file and the general ledger and disbursing the payroll checks and liabilities;
- Payroll reporting requirements such as monthly, quarterly or annual reporting requirements to the Texas Education Agency (TEA), Teacher Retirements System (TRS), Affordable Care Act (ACA), Internal Revenue Service (IRS), and Texas Workforce Commission (TWC);
- Workflows in processing all types of payroll and benefits transactions;
- Organization of electronic and paper format payroll office files; and
- Record retention processes.

Also, documentation of processes and workflows should also cover segregation of duties for selected roles and responsibilities that should be assigned to personnel that work outside of the district's human resources, payroll and business offices. The range of suggested additional controls will be more practical to implement the larger the enrollment size of a school district; however, even small-enrollment size districts should implement certain additional controls. A key internal control in small enrollment school districts is that no single payroll office employee should have sole access to all payroll and benefit functions without the review and approval of certain payroll processes by the business office manager and other staff. These additional controls involving segregation of duties that should be documented include:

- Authorization of additions and deletions of employees in the payroll system;
- Authorization of changes to rate of pay and benefits;
- Review and approval of timesheets;
- Review and approval of payroll reconciliations prior to distribution of each payroll;
- Distribution of check stubs to employees (if on-line access is not provided) or paychecks to employees without direct deposit; and
- Opening the bank statement(s) for the payroll account(s).

Most all of the 700,000 employees in the Texas school system take payroll processing operations for granted, and very few staff outside of the payroll office fully appreciate the complexities of managing so many moving parts. Documentation of payroll-related processes, procedures and workflows is a key internal control.

0 comments

230 views

Comments



Join the Online Community

TASBO CONNECT

THE trusted source for school finance and operations

JOIN TASBO

MEMBERSHIP

BECOMING A MEMBER

BENEFITS

LOGIN/MY PROFILE

CERTIFICATION

EDUCATION

EDUCATION HOME

FULL CALENDAR

ROLES

TYPES

DELIVERY

RESOURCES

GET CERTIFIED

CERTIFICATION MANUAL

CERTIFICATION REQUIREMENTS

CERTIFICATION FAQs

WRITER/INSTRUCTOR APPLICATION

EXHIBITORS

SHOWCASE YOUR COMPANY

SPONSORSHIP GUIDE

STRATEGIC PARTNERS

EXHIBIT OPPORTUNITIES

ADVERTISING

PARTNER GUIDE

PUBLICATIONS

PARTNER GUIDE

TOOLS & TEMPLATES

FORECAST5

MANAGEMENT REVIEWS

JOB POSTINGS

ABOUT TASBO

ABOUT TASBO

VOLUNTEER

AWARDS

LEGISLATIVE

LEGISLATIVE PIPELINE

THE TRUSTED RESOURCE FOR SCHOOL FINANCE AND OPERATIONS

P.O. Box 91929, Austin, TX 78709 | Office Headquarters: 5920 W. William Cannon Dr, Bldg 1, Ste 200, Austin, TX 78749

Phone: 512.462.1711 / 800.338.6531 | Fax: 512.462.1782

Designed by Personify Interactive | Powered by Higher Logic

Copyright @TASBO 2015