

HCM

Segregation of Duties (SOD)

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September 20, 2019

Agenda

HCM Segregation of Duties (SOD)

Agenda

- Internal Controls
- Statewide Internal Control Framework
- Segregation of Duties (SOD)
- SOD/Employee Compensation (HCM)
- SOD Roles in HCM
- SOD Correction Mode Roles in HCM

Agenda

- SSC Weekly Audits
- SSC Payroll Audits
- Review Parking Lot
- Questions & Wrap-up

Internal Controls

HCM Segregation of Duties (SOD)

Internal Controls

- An integral part of the operational processes not a separate system
- Basic building block of sustainable risk management
- What is needed?
 - A process that provides reasonable assurance that objectives of the institution will be achieved
 - NOT ONE EVENT.... Rather, a series of actions occurring ongoing

Internal Controls

- Who is responsible?
 - EVERYONE!
 - Management
 - Directly responsible for design, implementation, and operating effectiveness
 - Staff
 - Help management with execution of plan
 - Responsible for reporting issues

****Note:** External auditors are not considered part of an institution's internal control system*

Statewide Internal Control Framework

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Statewide Internal Control Framework

- State of Georgia adopted the “Green Book” published by the Federal Office of Management and Budget (OMB) in December, 2015
- USG Institution management should ensure they understand and assess the risks and have appropriate/sufficient internal controls.
- Institutions are responsible even if function is provided by 3rd party vendor
 - Ex: Alight – Benefits Administration is outsourced but USG and individual USG institutions are still responsible for internal controls relating to that outsourced work

Segregation of Duties (SOD)

HCM Segregation of Duties (SOD)

Segregation of Duties (SOD)

- Key component of institution's internal control
- Assigning key duties/responsibilities to different personnel to reduce risks
- Risks include:
 - Error
 - Misuse
 - Fraud

SOD/Employee Compensation (HCM)

HCM Segregation of Duties (SOD)

SOD/Employee Compensation (HCM)

Control Consideration:

Does the employee responsible for initiating modifications (e.g., add/delete employees, changes to employee information) in HCM also have the ability to approve or record these changes?

Recommendation:

All changes to HCM should be reviewed and approved by a supervisory-level employee (other than the employee initiating the change) in the Human Resources department prior to being recorded in the system.

SOD/Employee Compensation (HCM)

NOTE: *Best practices suggest that no one employee should be able to record modifications to HCM. The modifications should be initiated by one employee and reviewed and authorized in the system by a separate employee.*

Compensating Controls Example:

A system report of all changes to HCM should be generated for review. A supervisory-level employee who does not have access to modify HCM should review this report and match the changes to approved Personnel Action Forms.

SOD/Employee Compensation (HCM)

Control Consideration:

Do the employees responsible for maintaining HR data in HCM (e.g., adding/deleting employees, changes to compensation) also perform any of the following functions:

- Make decisions regarding hiring/termination of personnel
- Have access to payroll system or payroll module
- Involved in the payroll process
- Generate payroll checks
- Receive payroll checks for distribution

Recommendation:

Employees responsible for modifying HR data in HCM should not have access to the payroll system, be involved in the payroll process, distribute payroll checks or make hiring or termination decisions.

SOD/Employee Compensation (HCM)

NOTE: In some instances, the Human Resources module and the payroll module may be part of the same system. However, the employees responsible for processing the payroll should not have access to the Human Resources module and vice versa. For smaller institutions where one employee maintains the HR data in HCM and processes payroll, this employee should not be able to authorize and execute the pay run (i.e., generate payroll checks) or distribute payroll checks.

SOD/Employee Compensation (HCM)

Compensating Controls Example:

To enhance controls over the payroll process, the following compensating controls can be utilized:

- A supervisory-level employee who is not involved in the payroll process reviews and approves the pre-payment payroll report as well as the final payroll reports after the payroll has been processed.
- Distribution of payroll checks is conducted by a supervisory-level employee without payroll responsibilities, and checks not distributed are investigated.
- Gross wages, per the payroll journals and the general ledger, are reconciled to the W-2s.

SOD/Employee Compensation (HCM)

Control Consideration:

Are employees able to review and approve their own hours worked or time entered in the timekeeping system?

Recommendation:

Hours worked should be reviewed and approved by the employee's supervisor prior to being recorded or transmitted to the payroll department.

SOD/Employee Compensation (HCM)

Control Consideration:

Do the same employees responsible for preparing payroll for processing also perform any of the following duties:

- Modify the Employee Master File
- Approve the payroll
- Generate payroll checks
- Distribute payroll checks
- Receive final payroll reports (e.g., payroll registers) for review and approval

Recommendation:

The file prepared for processing payroll should be reviewed and approved by an employee who is not involved in the preparation of this payroll file or part of the human resources function.

SOD/Employee Compensation (HCM)

Note: If an outside payroll service is used for payroll processing, the same employee responsible for communicating changes to payroll master file data to the outside payroll service provider should not be involved in recording the payroll entries in the general ledger, preparing payroll reconciliations or distributing payroll checks. This employee should also not receive the copies of the final payroll reports (e.g., payroll registers) from the outside payroll service.

SOD/Employee Compensation (HCM)

Compensating Controls:

To enhance controls over the payroll process, the following should be considered:

- Use of an outside payroll service provider.
- Use of direct deposit instead of payroll checks.
- Perform a periodic analytical review of the payroll expense, including but not limited to budget to actual variance analysis.
- Perform an analysis of head count to revenue ratios.

SOD/Employee Compensation (HCM)

Control Consideration:

Are undistributed payroll checks and rejected payroll direct deposits investigated and reconciled by a supervisory employee outside of the payroll function in a timely manner?

Recommendation:

Employees not involved in the payroll or human resources function should maintain custody as well as investigate and reconcile the returned payroll checks.

SOD/Employee Compensation (HCM)

Control Consideration:

Does the employee responsible for recording the payroll expense entry in the general ledger perform any of the following functions:

- Modify the Employee Master File
- Prepare or authorize payroll
- Generate payroll checks
- Distribute payroll checks

Recommendation:

An employee outside of the payroll and human resources functions should post the payroll journal entry to the general ledger.

SOD/Employee Compensation (HCM)

Control Consideration:

Does the employee responsible for reconciling the general ledger to the payroll system also have the ability to record entries in or make adjustments to the payroll system?

Recommendation:

Reconciliations should be performed by an employee who does not have modification rights to the payroll system.

SOD/Employee Compensation (HCM)

Control Consideration:

When using an outside payroll service to calculate and remit payroll withholding tax, does the employee responsible for receiving the payroll tax refund checks perform any of the following functions:

- Prepare and process payroll, including but not limited to communicating changes in the payroll master file data to the outside payroll provider
- Authorize payroll
- Prepare payroll reconciliations

Recommendation:

The payroll withholding tax refund checks should not be received by an employee who is involved in the payroll process.

SOD Roles in HCM

HCM Segregation of Duties (SOD)

SOD Roles in HCM

- Segregation of Duties Issues Caused by Combination of Security Roles in OneUSG Connect
 - BOR HR Employee Maintenance
AND BOR Payroll Data Maintenance

SOD Roles in HCM

- Segregation of Duties Issues Caused by Combination of Security Roles in OneUSG Connect
- BOR HR Employee Maintenance
OR BOR Payroll Data Maintenance
PLUS ANY OF:
 - BOR CA Budget Distribution
 - BOR CA Processing
 - BOR CA Retro Processing
 - BOR CA Accounting Adjustments
 - BOR CA Adjustment Approver
 - BOR CA Adjust Acctg Override

SOD Roles in HCM

- Public Query to identify users with Segregation of Duties Issues
 - **BOR_SEC_SOD_USERS**
- List of practitioners with SOD issues are included on SSC quarterly reconciliation spreadsheet

SOD Roles in HCM

| OneUSG Connect Security Role | Examples of System Access |
|----------------------------------|--|
| BOR HR Employee Data Maintenance | <ul style="list-style-type: none">• Access to Employee Master File (adding/modifying/terminating employees, changes to compensation) |
| BOR Payroll Data Maintenance | <ul style="list-style-type: none">• Access to add/change/delete items in payroll module• Prepare or authorize payroll• Involved in payroll process• Generate/Distribute payroll checks• Review/Approve final payroll reports |

SOD Roles in HCM

| OneUSG Connect Security Role | Examples of System Access |
|---|--|
| BOR CA Budget Distribution BOR CA Processing BOR CA Retro Processing BOR CA Accounting Adjustments BOR CA Adjustment Approver BOR CA Adjust Acctg Override | <ul style="list-style-type: none">• Reconcile payroll to general ledger• Post payroll journal entries to general ledger |

SOD Correction Mode Roles in HCM

HCM Segregation of Duties (SOD)

SOD Correction Mode Roles in HCM

- SOD issues do exist if a practitioner has two or more of the following correction mode roles:
 - BOR_CORRECTION_MODE_HR
 - BOR_CORRECTION_MODE_PAYROLL
 - BOR_CORRECTION_MODE_CA
- Public query used to identify users with a combination of correction mode roles that constitute a segregation of duties
 - **BOR_SEC_SOD_CORR_MODE**
- List of practitioners with SOD issues are included on SSC quarterly reconciliation spreadsheet

SSC Weekly Audits

HCM Segregation of Duties (SOD)

SSC Weekly Audits

- Terminated/Retired/Leave Query/Deprovision script
 - Ensures all HCM and third party access is removed for retirees/terminated employees
 - Security admins will be asked if access for employees on leave needs to be removed
- OneUSG Connect Correction Mode Query
 - Shows if anyone with correction mode roles for job and position made changes to his/her own record
 - Security admins will be notified of any findings

SSC Weekly Audits

- Terminated Workflow Department Approver Query
 - For institutions using decentralized/departmental MSS workflow
 - Security admins are notified that approver is terminated and has been removed from all workflow levels
 - Any active MSS transactions pending approval of a terminated approver is identified
 - If no other approver is listed in the level, that level is changed from active to inactive until we are given a new approver

SSC Payroll Audits

HCM Segregation of Duties (SOD)

SSC Payroll Audits – Calc Day

| Audit Name | Description |
|--------------------------|--|
| BOR_PAY_LN_AUDIT | Audit shows if user made changes to his/her own pay line. |
| BOR_ADDITIONAL_PAY_AUDIT | Audit shows if user made changes to his/her additional pay. |
| BOR_HR_COMPRATE_AUDIT | Audit shows if user made changes to his/her comp rate in job data. |

SSC Payroll Audits – Calc Day

| Audit Name | Description |
|-------------------------|--|
| Excel to CI TOAD script | Audits additional pay being loaded via Excel to CI. |
| SSC_SEC_GREEN_DOT_AUDIT | Identifies direct deposit changes since previous payroll with specific routing numbers |

SSC Payroll Audits – Confirm Day

| Audit Name | Description |
|--------------------------|---|
| BOR_PAY_LN_AUDIT | Audit shows if user made changes to his/her own pay line. |
| BOR_PAY_LN_SUPPORT_AUDIT | Audit shows if SSC/ITS operators made changes to his/her employee pay line. |

SSC Payroll Audits – Confirm Day

| Audit Name | Description |
|----------------------------|--|
| BOR_ADDITIONAL_PAY_AUDIT | Audit shows if user made changes to his/her additional pay. |
| BOR_ADDL_PAY_SUPPORT_AUDIT | Audit shows if SSC/ITS operators made changes to his/her employee additional pay tables. |

SSC Payroll Audits – Confirm Day

| Audit Name | Description |
|----------------------------|--|
| BOR_HR_COMPRATE_AUDIT | Audit shows if user made changes to his/her comp rate in job data. |
| BOR_HR_COMPRATE_SUPP_AUDIT | Audit shows if SSC/ITS operator made changes to his/her employee comp rate in job data |
| BOR_PAY_DED_SUPPORT_AUDIT | Query shows if SSC/ITS operator made changes to his/her own paycheck via deduction override. |

SSC Payroll Audits – Confirm Day

| Audit Name | Description |
|-------------------------------|---|
| BOR_PAY_EARN_SUPPORT_AUDIT | Audit shows if SSC/ITS operator made changes to his/her own pay earnings |
| BOR_PAY_OT_EARN_SUPPORT_AUDIT | Audits to see if operator made changes to his/her own pay using other Earnings Tables |
| Excel to CI TOAD script | Audits additional pay being loaded via Excel to CI. |

Review Parking Lot

HCM Segregation of Duties (SOD)

Questions & Wrap-up

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