

TOPIC	INTERNAL CONTROL	SUB-SECTION 30.30.33
SECTION	COMPONENTS	ISSUANCE DATE JUNE 30, 2008
SUB-SECTION	CONTROL ACTIVITIES - PAYROLL	REVISED - 2018

### **CONTROL ACTIVITIES - PAYROLL**

The general objectives of the internal control system as it relates to payroll are as follows:

Reporting - To ensure that the human resource function is separate from the payroll function

Reporting - To ensure that payroll payments are properly authorized

Reporting - To ensure that payroll payments are accurately calculated and recorded

Reporting - To ensure that payroll payments agree with time sheets submitted and approved

Control activities are the policies and procedures that help ensure that necessary actions are taken to minimize risks that would inhibit an agency from the achievement of its objectives. In order to ensure that payroll objectives are met, agency management must identify control activities. When establishing controls, management must determine the level of risk it is willing to assume based on such factors as agency size, the number of personnel available, and cost versus benefits. Examples of control activities are:

<u>Control Activity</u>	<u>Example</u>	<u>Control Objective</u>
Segregation of Duties	The responsibilities of authorizing personnel actions, maintaining time records, supervising employees, recording payroll transactions and distributing checks should be handled by different employees	To ensure that the human resource function is separate from the payroll function
Review and Approval	Authorizing, approving, and documenting all changes in employment (new hires and terminations), salary and wage rates, and payroll deductions are accurately reflected on payrolls.	To ensure that payroll payments are accurately calculated and recorded
Authorization	Personnel policies are followed.	To ensure that payroll payments are properly authorized.
Review and Approval	Preliminary payrolls should be reviewed and approved before final payrolls are run.	To ensure that payroll payments are accurately calculated and recorded
Review and Approval	Review and approval of hours worked, overtime hours, and other special benefits by an employee's supervisor.	To ensure that payroll payments are accurately calculated and recorded