

Human Resources/Payroll Department
Risk Based Audit Procedures

I. Risk Assessment

A. Risk Matrix

1. Provide management with their section of the previously completed risk matrix from the Risk Assessment Program and have them provide an updated risk assessment for their area.
2. Along with management, assign a “degree of risk” rating to each area of risk (High, Moderate, or Low) as denoted on the matrix.

B. Complete the Internal Control Questionnaire (ICQ) and assign degree of risk ratings.

II. Legal Risk

A. Verify by interviewing HR officer that she attends personnel law seminars annually.

B. Discuss termination procedures with HR. Verify that disciplinary action is properly documented and that the termination process is adhered to.

C. Verify that HR reviews anti harassment policy with all employees during orientation.

D. Verify with HR that Watson Wyatt advises bank on ERISA.

E. Verify HR’s adherence to Privacy Policy and Procedures.

F. Verify with HR that ADP does all payroll reporting and makes tax deposits.

G. Review most recent SAS 70 report from ADP.

III. Operational Risk

A. Test a sample of new hires for documentation of background check, credit check, criminal background check, and testing.

B. Verify termination procedures with HR.

C. Review network and ITI user security listings and verify that all users are active employees.

D. Update the Payroll Process Flowchart and verify that adequate separation of duties and internal controls exist.

- E. Verify with HR that monthly BC/BS insurance bills are examined monthly to assure that only active employees or COBRA participants are listed.
- F. Verify with HR that BC/BS claims statements are monitored monthly.
- G. Verify that Accounting reconciles the GL account for BC/BS claims monthly.
- H. Verify with HR that procedures exist for verifying and monitoring disability insurance claims.
- I. Review existing claims (if any exist) and verify that above mentioned procedures have been followed.
- J. Review KPMG scope, procedures and audit report for the pension plan, profit sharing and 401(k) plans.
- K. Verify that ADP payroll software is only located on HR's PC and is password controlled.
- L. Verify that personnel files remained in a locked file cabinet.
- M. Verify that HR backs up payroll data after each payroll is processed.
- N. Verify that Bisys manages the 401(k) administration and performs required annual tests of the plan.
- O. Verify that HR monitors employee overdraft activity daily.
- P. Review HR's procedures for manually prepared payroll checks. (verify that incentives are calculated by authorized personnel and documented. Verify that a second person checks back data entry and totals.
- Q. Verify that expense checks are maintained under lock and key.
- R. Verify that HR monitors adherence to 5 day vacation rule for all employees.
- S. Verify that HR mails out FCRA compliant letter to applicants who are denied employment due to derogatory information on their credit report.