

ALG-CX-5.7: Control Activities Form for Payroll and Related Liabilities

Governmental Unit: MOHAWK VALLEY WATER AUTHORITY
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Financial Statement Date: MARCH 31, 2008
 Date: 6/30/2008

Instructions: See separate instructions at [ALG-CX-5](#) .

	Assertions	Control Type:		Is the Control:		Comments
		Dependent Upon IT? (Y or N)	Manual or Automated? (M or A)	Properly Designed and Implemented?	Effective?	
1. Authorization, segregation of duties, and restricted access— control activities tested through inquiry and observation or document inspection						
a. A separate imprest payroll bank account is used.	E/O	N	A	Y	Y	ADP (outside vendor provides the payroll service) withdraws payroll amounts due out of the MVWA M&T Operating Fund
b. Payment of wages in cash is prohibited, except in prescribed circumstances.	E/O	Not Appl	Not Appl	Not Appl	Not Appl	Wages are paid only through payroll system and are generally direct deposited. A few checks are prepared as requested by employees
c. Persons preparing payroll are independent of other payroll and personnel duties (for example, timekeeping, distribution of checks, and hiring employees) and restricted from access to other payroll data or cash.	E/O	N	A	Y	Y	The Payroll Clerk distributes the checks. However, the Comptroller reviews all payroll records. The MVWA has approximately 100 employees in total.
d. Responsibilities for payroll accounting are separated from the general ledger function.	E/O	N	A	Y	Y	Neither the Personnel Director nor the Payroll Clerk have access to the General Ledger
e. There is restricted access to:						
i. Blank payroll checks.	E/O	Not Appl	Not Appl	Not Appl	Not Appl	MVWA does not issue any payroll checks. All payroll checks are kept by ADP

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ii. Mechanical check signers or signature plates (if used).	E/O	Not Appl	Not Appl	Not Appl	Not Appl	Wages are paid directly by ADP
iii. Personnel records.	E/O	N	M	Y	Y	Personnel records are kept under lock by the Personnel Director and Payroll Clerk
iv. Payroll computer files used to calculate payroll	E/O	Not Appl	Not Appl	Not Appl	Not Appl	ADP maintains offsite the payroll data used to calculate the payroll
f. There are adequate authorization, approval, and documentation procedures regarding changes in employment (additions and terminations); in salary and wage rates; and in amounts of payroll deductions.	E/O, A/CL	N	M	Y	Y	The Board of Directors approves compensation for the Executive Director, the Comptroller and the Executive Secretary. The Executive Director approves compensation for non-represented employees and all hirings and firings
g. There are adequate authorization and approval procedures regarding vacation, holiday, and sick leave compensation.	E/O	N	M	Y	Y	Vacation and sick leave compensation are approved by Department Heads. Major Holidays do not require any additional approvals
h. Approved notices of changes in personnel data are reported promptly to the payroll accounting function and recorded in a payroll data base.	E/O, C	N	M	Y	Y	ADP payroll service vendor is notified immediately of any changes affecting any employees. MVWA receives a "Change Report" detailing the changes. The Personnel Director reviews this report.
i. There are adequate timekeeping and attendance records and procedures (for example, time cards and time clocks are properly controlled and approved; overtime is specifically approved in advance).	E/O	N	M	Y	Y	Time sheets are prepared for all MVWA employees. The Executive Director approve all Department Heads overtime. The Department Heads approve their own subordinates overtime
j. There are procedures for preparing, mailing, and investigating subsequently returned W-2s and related forms.	[A/CL]	N	M	Y	Y	Current employees receive their W2's along with their paycheck in January. W2's are mailed to all former employees. Returned W2's are investigated by Personnel employees

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k. Individuals knowledgeable of legal, regulatory, actuarial, and accounting requirements are responsible for monitoring employee benefit matters.	A/CL	N	M	Y	Y	The Personnel Director along with the Executive Director and the Comptroller monitor all employee benefit matters and seek legal advice when needed
l. There are procedures in place to ensure that payroll taxes are paid in a timely manner and that payroll tax returns are filed when due.	[C], A/CL	N	M	Y	Y	Payroll taxes withheld and employer's share of payroll taxes (ie. FICA) . MVWA is directly billed for State Unemployment (when applicable)
m. Procedures are in place to ensure that other withholdings, such as 401(k) and cafeteria plan withholdings are remitted in a timely manner.	E/O, C	N	M	Y	Y	All withholdings are paid through ADP or are paid as part of normal payments (i.e. bonds purchased by employees are paid through accounts payable
n. Procedures are in place to ensure that payroll costs are allocated to the appropriate accounts, funds, and programs.	A/CL, V					All payroll overhead costs (i.e workmens' compensation) are charged to each individual user department based on pre-determined allocation amounts
o. If payroll is processed by an outside service organization, procedures are in place to ensure that:						
i. Time records submitted for processing are complete and accurate and appropriate control totals are maintained for subsequent reconciliation to payroll registers.	C, A/CL	N	A	Y	Y	Reconciliation is performed by the Payroll Clerk and is reviewed by the Comptroller
ii. All other payroll information provided to the service organization (pay rates, withholdings, etc.) is authorized, and all authorized information is communicated.	E/O, C	N	M	Y	Y	All rates are approved by either the Executive Director or the Board of Directors
iii. Payroll registers produced by the service organization are reviewed after processing, reconciled to control totals, and approved prior to distribution of paychecks.	E/O, C, A/CL	N	A	Y	Y	Performed by the Billing Clerk and reviewed and approved by the Comptroller. Personnel Director reviews "Change Report"

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iv. Total of paychecks and/or direct deposits agrees with payroll registers.	A/CL	N	A	Y	Y	
Other control activities (specify). []						
2. Review and reconciliations—control activities tested through inquiry and document inspection.						
a. Deposits to the payroll bank account are compared with the payroll register.	E/O	N	M	Y	Y	Done by the Comptroller
b. Pre-numbered payroll checks are used, the sequence is accounted for, and unissued checks are controlled.	E/O, C	Not Appl	Not Appl	Not Appl	Not Appl	Done through ADP
c. There is a comparison by the appropriate level of management or another appropriate person of actual to budgeted payroll and an investigation and documentation of variances.	E/O, C, A/CL	N	M	Y	Y	Reviewed on a monthly basis by the Internal control Analyst and the Comptroller
d. There is a comparison by the appropriate level of management or another appropriate person of current payrolls with previous payrolls and an investigation and documentation of variances.	E/O, C, A/CL	N	M	Y	Y	Done by the Comptroller
e. There is a periodic general review of payroll registers by the appropriate level of management or another appropriate person.	E/O, A/CL	N	M	Y	Y	Done by the Comptroller
f. There is a periodic review of the allocation of payroll costs to the appropriate accounts, funds, and programs.	V, A/CL	N	A	Y	Y	All payroll expenses are charged to the user department. The Comptroller allocates a portion to Capital
g. Unclaimed payroll checks are properly controlled initially (that is, listing of checks) and at the time of their subsequent distribution (that is, evidence of employment and other identification required and signatures obtained).	E/O	N	M	Y	Y	All unclaimed payroll vouchers are kept by the Payroll Clerk

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h. Processing for new employees and changes in pay rates are reviewed by appropriate personnel and compared to supporting documentation authorizing the changes.	E/O, C	N	M	Y	Y	All new hires and pay rates are approved by the Executive Director
i. Processing for terminated employees is reviewed by appropriate personnel and compared to documentation from human resources, departmental managers, and similar sources.	E/O, C	N	M	Y	Y	Personnel Director performs exit interviews for terminated employees
j. Personnel files are checked against a set checklist of required documents to determine that withholding forms and authorizations for payroll deductions exist.	[C]	N	M	Y	Y	
k. Changes in employment (additions and terminations); in salary and wage rates; and in amounts of payroll deductions are reviewed by someone independent of payroll input.	E/O, A/CL	N	M	Y	Y	Reviewed and approved by the Executive Director
l. The appropriate level of management or another appropriate person reviews monthly payroll-related accruals for completeness and reasonableness.	C, A/CL, CO	N	M	Y	Y	Payroll accrual is recorded at year end by the Accounting Supervisor and is reviewed by the Comptroller
m. Payroll registers and the general ledger are reconciled to gross and net pay amounts per the tax returns.	[E/O], [C]	N	M	Y	Y	Done by the Accounting Supervisor and reviewed by the Comptroller
n. There is a year-end reconciliation of total W-2 wages (including taxable fringe benefits) to the general ledger and payroll register wages paid.	E/O, C, A/CL, CO	N	M	Y	Y	Done by the Comptroller to verify fiscal year end amounts
o. There are procedures in place to determine whether individuals are employees or independent contractors and the appropriate tax forms are prepared.	E/O, C	N	M	Y	Y	Done by the Personnel Director and the Comptroller applying IRS rules

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p. The appropriate level of management or another appropriate person reviews reconciliations between payroll registers and general ledger control accounts.	E/O, C, A/CL, CO	N	M	Y	Y	The Accounting Supervisor posts to the General Ledger. The Comptroller reviews At month end significant expense variances are investigated by the Internal Control Analyst and the Comptroller
q. Detail records are maintained of the liability for compensated absences and they are regularly reconciled to the control account.	E/O, C, [A/CL], CO	N	M	Y	Y	The Comptroller receives and reviews schedule of compensated balances on a payroll basis
r. Any necessary accruals for postemployment or postretirement benefits are accurate and properly recorded.	E/O, C, [A/CL], CO					Not required until FY 2009 under GASB 45.
Other control activities (specify). []						
3. Review and approval of payroll transactions before disbursement—control activities tested by review of a sample of payroll transactions for documentation evidencing review and approval						
a. Payroll transactions are for authorized employees.	E/O	N	M	Y	Y	The Comptroller reviews all payroll calculations as soon as they are received from ADP
b. Payroll transactions are supported by time records.	E/O	N	M	Y	Y	Time sheets are filled out for every employee of the MVWA
c. Authorized pay rates are used.	A/CL	N	M	Y	Y	Represented employees pay increases are authorized by the Board. Pay rate changes are approved by the Executive director. The Comptroller calculates gross pay calculated for each pay period
d. Gross pay, deductions, and net pay are accurate.	A/CL	N	M	Y	Y	The Principal Clerk compares the hours entered in the Payroll System against the hours shown on time sheets. The comptroller reviews the calculations

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e. Paychecks agree with payroll registers.	E/O	Not Appl	Not Appl	Not Appl	Not Appl	Paychecks are returned from ADP in sealed envelopes and cannot be compared against the payroll registers. However, the Comptroller reviews net pays regularly for consistency with the previous pay period.
Other control activities (specify). []						