




**INTERNAL CONTROLS OVER FINANCIAL REPORTING
SELF-ASSESSMENT TOOL**

PAYROLL PAYMENTS

Legend:

-  = Successfully meets standard.
-  = Does not meet standard, but making satisfactory progress towards attainment.
-  = Does not meet standard; underlying issues have not been addressed
- N/A = Not applicable**

Assessment For Period Ending: _____




Reviewer's Signature & Date




Control Objectives


As public servants, it is our responsibility to utilize the taxpayer's dollars in the most effective and efficient way possible while adhering to applicable laws and regulations. This document does not address all possible circumstances that need to be considered when establishing internal controls or assessing risk. Each government is responsible for reviewing their business practices and processes to determine where risks exist and where and how controls can be established to mitigate them.




Financial reporting control objectives are as follows:




- 1. *Recorded transactions are valid (existence).***
- 2. *All valid transactions are recorded; none are omitted (completeness).***
- 3. *Transactions are recorded in the proper fiscal period (cut-off).***
- 4. *Transactions are in compliance with applicable laws and policies (rights & obligations).***
- 5. *Transaction amounts are accurately valued or calculated (valuation).***
- 6. *Transactions are properly classified to the correct fund and account (classification).***




Description of Control				N/A	Comments / Responsible Individual
Segregation of Duties					
1. Are salaries and wage rates verified by someone outside of the payroll process?					
2. Is update access to both payroll and personnel records allowed only with senior level approval?					
3. Are responsibilities for hiring, terminating and approving promotions segregated from those for preparing payroll transactions or inputting data?					
4. Are responsibilities for approving time sheets segregated from those for preparing payroll transactions or inputting data?					
5. Are responsibilities for payroll processing segregated from those of pay distribution and general ledger functions?					
6. Does payroll data entry staff have payroll approval authority?					
7. Is payroll data entry staff allowed to enter changes to their own records?					
8. Are pay adjustment reports reviewed by someone outside of the payroll process?					
9. Is reconciliation of payroll funds/accounts performed by someone independent of the payroll function?					
10. Is payroll distribution handled by employees who are not involved in the hiring or firing of employees; the approval of time and attendance; or payroll preparation and data entry?					
Time and Attendance Records					
11. Are all employees required to sign/log in and record daily hours worked and leave time taken?					
12. Are employees' time and attendance records approved by their supervisors?					
13. Are time sheets/attendance records checked for computations of the reported pay period hours?					
14. Is overtime pre-approved and within budgeted amounts?					




Description of Control				N/A	Comments / Responsible Individual
15. If a time clock is used, is it placed where a supervisor can observe it?					
16. Are time cards used only by the employees to whom they are issued?					
17. Is leave time pre-approved where appropriate (vacation, compensatory, medical, family, etc.)?					
18. Are attendance records reviewed by management for excessive absences or tardiness?					
19. Are appropriate "management of effort" records maintained for payroll charged to federal grants (per OMB Circular A-87)?					
20. Are procedures established for inputting time and attendance into the payroll system?					
21. Do procedures exist to review time records for completeness, accuracy and supervisor approval?					
22. Are corrections to recorded time approved by the employee's supervisor and authorized by management?					
Payroll Records					
23. Is access to payroll records secure, and limited to authorized persons only?					
24. Are appropriate payroll records maintained for accumulated employee benefits (vacation, sick, compensatory time, pension, etc.)?					
25. Have employee attendance records been established and properly maintained?					
26. Are changes in employment status promptly reported to the payroll processing unit?					
27. Are termination settlements (resulting from interviews with employees separating from service) communicated to payroll staff in a timely fashion?					
28. Are employee authorizations and changes for payroll deductions, tax withholding, etc. kept on file per retention schedules?					
Batch Processing					

Description of Control				N/A	Comments / Responsible Individual
29. Are payroll expenditures reviewed and approved by an authorized signatory prior to the payroll cycle?					
30. Is logical access to payroll applications controlled by user logins and passwords?					
31. Are user roles for application processing assigned so that segregation of duties is maintained?					
32. Is access to the master payroll file and/or payroll production database limited to employees authorized to make changes?					
33. Are changes to the payroll file or database approved by someone other than the person making the change?					
34. Are complete records kept for authorization and documentation of data requiring modification or deletion in order to continue with payroll processing?					
35. Are reports run prior to batch production to identify exception records (e.g. gross pay > \$5k; net pay < \$5)?					
36. Are payroll checks pre-numbered, blank stock-controlled and used in numerical sequence?					
37. Are payroll checks accounted for in numerical sequence and reconciled to the payroll check register?					
38. Do advices contain detail of gross pay and deductions?					
39. Are voided/spoiled checks properly destroyed and maintained?					
40. If checks are machine-signed, are controls in place to secure the signature plates and the check-signing machines?					
41. Is a log maintained to reconcile the counter on the check-signing machine with the number of checks issued?					
General Ledger					
42. Is system assurance/reconciliation conducted on files for pay calculation, pay distribution, register/warrant, check/EFT and general ledger amounts?					
43. Is the reconciliation performed by someone/unit outside of the payroll function?					

Description of Control				N/A	Comments / Responsible Individual
44. Are material differences promptly investigated?					
45. Do general ledger controls include adequate account coding procedures for classification of employee compensation and benefit costs so such costs are recorded in the proper general ledger account?					
46. Is there proper recording of accrued liabilities for unpaid employee compensation and benefit costs?					
47. Are adjusting payroll journal vouchers approved by an authorized person who does not input payroll?					
Disbursements & Advances					
48. Are warrants/registers approved before disbursements are made?					
49. Is a payroll advance account maintained to handle cases of emergency pay?					
50. Is the advance account regularly reconciled?					
51. Is a separate payroll fund/bank account maintained?					
52. Is the payroll fund/bank account regularly reconciled?					
53. Are employees prohibited from accepting another employee's pay?					
54. Are unclaimed wages resulting from pay distribution immediately reported to the accounting department?					
55. Is payroll distributed periodically by someone (e.g. internal auditor) outside the normal distribution function?					
Employee Refunds & Overpayments					
56. Are overpayments to employees requiring refund processing documented and approved prior to processing?					
57. Are underpayments requiring additional pay properly verified, and time and attendance records adjusted accordingly, prior to processing?					
58. Are unclaimed employee checks returned to a business unit other than payroll?					
Training					

Description of Control				N/A	Comments / Responsible Individual
59. Does appropriate documentation of procedures exist so that the payroll function could be maintained and operated if key personnel leave or are absent at critical times?					
60. Is training maintained and updated to ensure personnel and payroll staffs perform their functions effectively?					
61. Are other employees cross-trained to ensure the uninterrupted performance of personnel and payroll functions?					
Tax Reporting & Reconciliation					
62. Are the payroll taxes deposited timely (income tax, OASI, and Medicare) and are quarterly and year-end reports files with the appropriate federal and state agencies accurately and timely so as to avoid penalties?					
63. Federal and state withholding certificates on file.					
64. Federal and/or state income taxes calculated properly.					
65. Medicare tax status upon hire.					
66. Medicare tax reports reconciled to:					
67. Deductions verified for pre/post tax status.					
68. Payroll application is continuously updated with vendor tax updates, or procedures ensure the government is notified of all tax updates required to keep legacy system up to date.					
69. Payment of employer's federal income taxes.					
70. Filing of Employer's Quarterly Federal Tax Return.					
71. Form 941 Reconciliation.					
72. Form 941 Correction.					
73. Payment of employer's state income taxes.					
74. Awareness of rate changes.					
75. Deducting of rate change premiums.					
76. Payment of rate change premiums.					

Description of Control				N/A	Comments / Responsible Individual
77. Reporting of rate change premiums.					
78. Testing of W-2 production process.					
79. Distribution of Forms W-2:					
80. By Mail:					
81. By Hand: Are W-2s distributed by personnel not connected with the preparation of payroll?					
82. Accommodations for W-2c process.					
83. Filing of W-2s.					
84. Testing of 1099 production process.					
85. Distribution of Forms 1099.					
86. Accommodations for 1099 correction process.					
87. Filing of 1099s.					
Personnel Procedures					
88. Have personnel files been established for all employees?					
89. Do physical controls exist over personnel records to prevent their loss or use by unauthorized personnel?					
90. Do personnel files include: applications, resumes, withholdings and deduction authorizations and appraisals?					
91. Do personnel files include documentation of all promotions, raises, transfers, dismissals, disciplinary actions, etc.?					
92. Have job descriptions been written and updated as needed for every position?					
93. Are personnel rules and policies published and distributed to all employees?					
94. Do employees receive performance appraisals on a regular basis, with results fully documented?					

Description of Control				N/A	Comments / Responsible Individual
95. Are changes in employment (additions, transfers and terminations), salary and wage rates, and payroll deductions properly authorized, approved and documented?					
96. Is the payroll processing function promptly notified of changes in employment, salaries/wages and deductions?					
97. Are employees separating from service interviewed by personnel department prior to departure, for review of benefits, return of assets, and as a final review of any termination settlement?					