



Item: AF: I-4A

Information Only.

Objective of this audit were to evaluate payroll processing accuracy and propriety of accounting for a sample of



Office of Inspector General

Audit of Payroll

October 1 through December 31, 2006

SCOPE AND OBJECTIVES

In accordance with the University's Internal Audit Plan for fiscal year 2006-07, we have conducted an audit of select functions and processes within the Payroll Office at Florida Atlantic University. This audit did not include, among other things, employee leave use and accrual, employee benefit deductions and related issues, and tax compliance issues other than those specifically mentioned in the objectives described herein. The excluded areas have been, or will be covered in other audits or special reviews by the Office of Inspector General (OIG), and/or the Auditor General's Office.

Our audit objectives were to determine whether:

- Employees' gross/net pay was properly supported, accurately calculated, and timely recorded in the university's accounting records;
- Federal income withholding and social security/Medicare payroll taxes, as well as State unemployment taxes, were accurately calculated and timely filed and remitted to the appropriate governmental agency;
- IRS Forms W-2 (*Wage and Tax Statement*) for calendar year 2006 were accurately prepared, distributed timely to all applicable employees, and filed timely with the Social Security Administration; and,
- Management was receiving and reviewing appropriate biweekly payroll exception reports in order to identify anomalies, and correct errors, where applicable.

Audit procedures included, but were not limited to, the evaluation of internal controls as those controls relate to the accomplishment of the foregoing audit objectives, as well as the performance of compliance testing on samples of employee payroll records in order to determine whether control procedures were operating effectively.

We obtained an understanding of the selected payroll operations by reviewing written policies and procedures, interviewing key departmental personnel, performing analytical reviews of select payroll data, observing actual practices, and evaluating key internal controls. Our assessment of compliance with applicable laws, rules and regulations, and established policies and procedures was based on reviews of pertinent supporting documentation for judgementally selected samples of employees. Populations, sample sizes, and selection methods were determined based on our evaluation of internal controls, our assessment of audit risk, the availability of pertinent University records, and other factors including auditor judgment.

We conducted our audit in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

BACKGROUND

The Payroll unit of the Controller's Office is responsible for preparing the employee wage payments for all departments within the university as well as the direct support organizations. Other duties of the unit include, but are not limited to:

- Remittance of payroll tax payments;
- Preparation and filing of payroll tax returns;

- Submission of third party payments and reports for employee payroll deductions;
- Processing of employee IRS Forms W-4 and W-5, and direct deposit authorization forms;
- Ensuring compliance with nonresident alien (NRA) taxation rules and treaties;
- Calculation and processing of retroactive employee wage payments;
- Recording employee fringe benefits for taxation; and,
- Analyzing the taxability of student employees.

The Payroll Office is under the direction of an Assistant Controller, and is staffed by a manager and five payroll specialists/accountants.

Melby Bennett