



COMMISSIONERS COURT
COMMUNICATION

REFERENCE NUMBER CO#128625

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DATE: 09/25/2018

SUBJECT: **RECEIVE AND FILE THE AUDITOR'S REPORT FOR THE REVIEW OF CERTAIN HUMAN RESOURCES MASTER DATA CONTROLS**

COMMISSIONERS COURT ACTION REQUESTED:

It is requested that the Commissioners Court receive and file the Auditor's Report for the Review of Certain Human Resources Master Data Controls.

BACKGROUND:

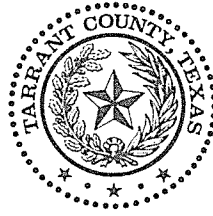
In accordance with Local Government Code, the Auditor's Office reviewed selected Human Resources master data controls in place for the period ended December 31, 2017.

FISCAL IMPACT:

There is no direct fiscal impact associated with this item.

SUBMITTED BY: Auditor's Office

PREPARED BY: S. Renee Tidwell
APPROVED BY:



TARRANT COUNTY
TARRANT COUNTY ADMINISTRATION BUILDING - ROOM 506
100 E. WEATHERFORD
FORT WORTH, TEXAS 76196-0103
817/884-1205
Fax 817/884-1104

S. RENEE TIDWELL, CPA
COUNTY AUDITOR
rtidwell@tarrantcounty.com

CRAIG MAXWELL
FIRST ASSISTANT COUNTY AUDITOR
cmaxwell@tarrantcounty.com

August 29, 2018

Ms. Tina Glenn, Director, Human Resources
The Honorable District Judges
The Honorable Commissioners Court
Tarrant County, Texas

Re: Auditor's Report – Review of Certain Human Resources Master Data Controls

SUMMARY

In accordance with the Local Government Code, we reviewed selected Human Resources master data controls in place for the period ended December 31, 2017. Overall, we observed that controls over master data were not always adequate. Specifically:

Observation 1 Procedures related to the oversight of system users' roles and permissions did not exist.

Observation 2 Procedures for entering and reviewing master data changes were not adequate.

Attached is management's written response. We also communicated less significant matters to staff during our review.

OBSERVATIONS AND RECOMMENDATIONS

Observation 1 Procedures related to the oversight of system users' roles and permissions did not exist.

Observations

SAP is configured where County employees with access to master data have the ability to edit their own or others' pay, benefits, or personal information without detection. We performed limited testing to determine whether users' access was appropriate based on their respective responsibilities and observed that:

- *Segregation of duties was not adequate between incompatible tasks.* For example, a Human Resources employee has the ability to move an employee's position, change bank details, pay rate, and enter time worked into SAP. We have also identified other positions with potential

conflicts that need to be reviewed and tested with the assistance of Human Resources and the Information Technology Department (ITD).

- *User access was not adequately limited.* We observed 46 users who had unnecessary access with job duties that do not include personnel administration or individuals who transferred into positions that no longer required that level of access.

Additionally, 56 users in decentralized departments with the ability to enter and/or edit master data in SAP did not use their role during calendar year 2017.

While rate changes, transfers, and promotion changes should be identified when the Personnel Agenda is reviewed, a risk exists that fraud and errors may occur but go undetected. *Subsequent to our review period, we identified two employees with super user access who changed their own banking information outside the normal process.* Bank changes do not generate a personnel action which would not be reflected on the Personnel Agenda. Furthermore, a periodic review to determine whether someone changed their own master record prior to payroll processing was not performed.

Recommendations

In collaboration with the Auditor's Office and ITD, we recommend Human Recourses a) determine and document the SAP transactions and infotypes each user or user group requires to perform their job duties, b) based on the determinations made, work with ITD to edit existing roles and permissions, or create new roles and permissions, and assign users to only the roles and permissions needed to perform their duties, and c) formally establish a timeframe for periodically evaluating the appropriateness of user access and updating the access as necessary.

Additionally, Human Resources should implement procedures to periodically review changes made to master data to ensure individuals are not updating their own personnel record or other individuals within their own department. The review should be documented.

Observation 2 Procedures for entering and reviewing master data changes were not adequate.

Background

SAP is configured where changes to take effect upon entry and on-line secondary approval is not required. Payroll and Benefits Service Center (PBSC) uses an *Audit Route Sheet* to track who enters, reviews, and what information is reviewed (e.g., organization assignment, basic pay). However, the *Audit Route Sheet* is not retained unless a CS-5 was corrected.

Observations

During our review, we observed that procedures for reviewing master data changes were not adequate. Specifically:

- *Master data changes were not reviewed timely.* Each CS-5 form should be approved by the department head, Human Resources Director and/or Assistant Director. Each CS-3 form is approved by the department head. Master data changes are entered by PBSC personnel based on the approved forms. Current standard operating procedures require three levels of review, which is typically after data is entered into SAP. We observed that the final review took up to 28 days or two payroll periods after the data was entered into SAP. While the first independent

review typically occurred after two business days, we noted seven instances where it took over 20 days for the second level review to take place. Furthermore, we noted one CS-3 that was not approved by the department head. A CS-3 should not be processed without the appointing authority signature.

- *Manual review procedures were not complete.* As previously stated, an *Audit Route Sheet* is used to track who, what, and when master data changes were processed. Because the manual procedures were not complete, the following issues were not detected:
 - 71 terminated employees whose banking information was still active.
 - Five terminated temporary employees who were still reflected as an active employee in SAP.
 - 151 new hire actions were started but not completed. A blank personnel number was created for each incomplete action and never deleted.
 - 78 terminated employees still had their uniform allowance active. If rehired, the employee could receive the allowance in error.

Furthermore with the assistance of ITD personnel, we have determined a risk exists that fraud and errors could occur and go undetected. These conditions occurred because the manual review process did not include procedures to identify these types of issues. Each observation was either subsequently corrected or a ticket has been created to address the issue.

- *There is no periodic review of master data changes made by Community Supervision and Corrections Department (CSCD) personnel.* CSCD contracts with Tarrant County to provide payroll processing services. CSCD follows its own Salary Administration Guidelines and enters their own master data. During the calendar year ended December 31, 2017 approximately \$17 million in gross wages were paid to CSCD employees. Furthermore, there is a risk that the County could be liable for master data changes made by CSCD if an error or omission went undetected.

Without adequate review of master data changes or other mitigating controls, errors and fraud may not be prevented and detected.

Recommendations

We recommend Human Resources should:

1. Consult with ITD and implement dual control or a workflow over master data changes initiated by Human Resources and PBSC. This can be achieved by preventing changes entered by one set of users from taking effect until they are released by another set of users with the appropriate authorizations. The level of authorizations and/or review should be streamlined to allow errors and omissions to be identified earlier in the process.
2. Implement: a) a more comprehensive *Audit Route Sheet* that requires confirmation that active fields have been turned off for terminated individuals, and b) a periodic review for active hire actions started and not completed. Also, we recommend that the *Audit Route Sheet* be retained regardless of whether a correction was required.

The Auditor's Office will implement procedures to periodically review active banking information for terminated employees.

3. Implement procedures to review forms submitted by CSCD for appropriate approval and ensure changes made to master data were accurate based on the CS-3 or CS-5 forms submitted by CSCD.

BACKGROUND


Master data is the SAP name for basic, general information about the employee. For example, name, address, basic pay and organizational information. Master data is used to drive payroll, time evaluation, and benefits. A *Notice of Personnel Action* (CS-5) form is completed by the requesting department for hiring, re-hiring, change in pay, change in position, change in personal data, and leave without pay. A *Report of Employee Separation* (CS-3) is used for employees leaving Tarrant County. These forms contain the underlying information that is manually entered through the Master Data screen. For the calendar year ended December 31, 2017, the County paid over \$275 million in wages to employees and 8,298 master data changes were entered into SAP.

Human Resources personnel assigned to the PBSC are responsible for entering master data into SAP. Certain decentralized departments (i.e. Sheriff's Office and County Clerk) have the ability to enter other master data related changes for employees within their specific department. The ability to enter new-hire information resides strictly with Human Resources.

CLOSING REMARK

We appreciate the cooperation of the Human Resources' staff during our review. Please call me if you have any questions regarding the contents of this report.

Sincerely,



S. Renee Tidwell, CPA
County Auditor

Attachment: Management's response

Distribution: G.K. Maenius, County Administrator
Robin Worthy, Human Resources Assistant Director

Audit Team: Kimberly Buchanan, Audit Manager
Matthew Jones, Senior Internal Auditor



TARRANT COUNTY

Department of Human Resources
Tina T. Glenn
Director

Civil Service
Administration

September 14, 2018

Renee Tidwell, County Auditor
Tarrant County, Texas

Re: Auditor's Report – Review of Certain Human Resources Master Data Controls

Renee:

Thank you for the opportunity to respond to the audit findings related to master data controls. After two meetings with Audit staff, meetings with Human Resources staff and a review of the supporting documentation we submit the following responses to the observations and recommendations:

Observation 1 – Procedures related to the oversight of system users' roles and permissions did not exist.

Background – SAP is configured where County employees with access to master data have the ability to edit their own or others pay, benefits, or personal information without detection.

1st Bullet Point – Segregation of duties was not adequate between incompatible tasks:

Clearly, any employee with access to master data and the ability to edit their own data or another employee's data is problematic. The example provided refers to a Human Resources employee with roles granting the ability to move an employee's position, change an employee's bank details, change an employee's pay rate, and enter an employee's time worked into SAP. It may be important to note that only two of these four roles are owned by Human Resources. The other

two roles, moving an employee's position and enter time worked, are owned by the Budget Office and the Auditor's Office, respectively. While Human Resources can recommend that these roles be removed in some instances, final approval must be granted by applicable and aforementioned departments.

Last Paragraph of Observation 1 – “Furthermore, a periodic review to determine whether someone changed their own master record prior to payroll processing was not performed.

Response:

Human Resources will work with the Auditor's Office to develop procedures to periodically review master data changes.

Recommendations – 2nd paragraph – Human Resources should implement procedures to periodically review changes made to master data to ensure individuals are not updating their own personnel record or other individuals within their own department.

Response:

SAP records the User Name that touched the record by populating the user's name in the “changed on” field. There are instances where it is appropriate for an individual's name to be on his or her own record for changes that were made through ESS (e.g. benefits during annual enrollment, bank changes, W-4 changes, etc.). Also, HR staff members understand that if master data changes are required on their own record they must provide the necessary documents to an appropriate member of HR to make that change to their record. That said, we concur that in collaboration with the Auditor's Office and ITD we should revisit roles and permissions, County wide, with such “assignments” linked to job requirements.

Observation 2 Background

SAP is configured where changes to take effect upon entry and on-line secondary approval is not required. The Payroll and Benefits Service Center (PBSC) uses an *Audit Route Sheet* to track who enters, reviews, and what information is reviewed (e.g., organization assignment, basic pay). However, the *Audit Route Sheet* is not retained unless a CS-5 was corrected.

Response:

The Audit Route Sheet was created to serve as a checklist for staff and was designed to represent the same view found on the “Infotype Overview for Employee” screen in SAP. This form was never intended to be a comprehensive, step-by-step document for auditing/tracking master data thus the reason it has not been retained unless a correction was made. As process improvements have

been made and staff members have changed, a more formal workflow process has evolved to affirm first level “entry and validation” accuracy. There is no denying that the additional levels of review, in some instances, take much longer than we would like. We agree that on-line entry changes should be “parked” until a review has occurred*.

*Ms. Worthy relayed to me that as a member of the SAP implementation team she voiced repeated concerns about “decentralized” actions taking effect immediately. Her concerns were dismissed by the project consultant as reluctance to embrace technology.

1st Bullet point – Furthermore, we noted one CS-3 that was not approved by the department head. A CS-3 should not be processed without the appointing authority signature.

Response:

We concur with Audit’s finding.

2nd Bullet point

71 terminated employees whose banking information was still active

Response:

Turning off banking information is part of the “termination action” that is the responsibility of HR Benefits staff when a CS-3 form is processed. As indicated in the Auditor’s Report, 71 banking records were delimited (turned off) as part of this audit. Payroll completed the “clean-up” by delimiting the direct deposit record as of 3/29/2018. Such clean up included 35 records that were outstanding since the conversion to SAP in 2003. At that time, 10 terminated employees and 25 employees on inactive status were loaded into SAP with direct deposit active. The remaining 36 records were on employees who terminated 2005 – 2018 when banking information was not delimited as part of the usual CS-3 termination action. This oversight appears to be human error.

Five terminated temporary employees who were still reflected as an active employee in SAP

Response:

All five of these employees are old election workers and cannot be termed in the system. When a recent termination action was attempted on these five employees, SAP presented a hard stop displaying that a hiring action would have to be completed first. This may be due to prior attempts to do a “clean up” on these five election employees by removing master data from their records.

Generally, Human Resources staff runs monthly and quarterly reports to ensure that temporary employees do not remain active for extended periods of time. On a monthly basis, staff reviews the temporary employment expiration dates for temporary hourly and project employees to ensure compliance with the Civil Service Rules. On a quarterly basis, staff reviews all temporary employees to identify those without hours worked within the last calendar year. Notifications are sent to departments to request additional information and to recommend termination of employment if such employment is no longer required. However, Human Resources cannot force appointing authorities to terminate employees and will not subsequently process terminations without supporting CS-3s from the appointing authorities.

151 new hire actions were started but not completed. A blank personnel number was created for each incomplete action and never deleted.

Response:

Based on a recent review of the 151 blank personnel numbers, 110 are related to election workers. These numbers were created in the early days of SAP. Around 2005 a decision was made to discontinue entering election workers into SAP. Of the remaining 41 blank numbers: 16 were from 2005; 11 were from 2006; 3 were from 2007; 2 from 2008; 1 from 2009; 1 from 2011; 1 from 2012; 1 from 2013; 2 from 2014; 1 from 2016 and 1 from 2017. The 41(or 40) blank personnel numbers should have been used at the next earliest opportunity to eliminate having a blank personnel number in SAP. This has been addressed with current HR Benefits staff.

78 terminated employees still had their uniform allowance active. If rehired, the employee could receive the allowance in error.

Response:

All records identified in this area were part of the SAP conversion in 2003. Records on 76 terminated employees as well as 2 employees on inactive status were loaded into SAP with uniform allowance turned on. The two (2) employees who were on an inactive status were terminated in 2004 without delimiting uniform allowance.

Recommendations

1 Consult with ITD and implement dual control over master data changes initiated by HR and PBSC. This can be achieved by preventing changes entered

by one set of users from taking effect until they are released by another set of users.

Response

The recommendation sounds reasonable but will prove to be challenging given the deadlines that must be met with Payroll, the weekly agenda, benefits enrollment, etc.

#2 Implement a more comprehensive Audit Route Sheet

Response


Going forward the Audit Route Sheet will be changed to accommodate the recommendations mentioned in the Auditor's Report. The form could easily be retained on all CS-5 and C3-3 transactions to document that the off-line secondary approval process was completed (even-though a notation of such audit is routinely made on the original resource document.) Once the automated process of CS-5 forms and CS-3 forms is implemented through SAP, this route sheet will be moot. Such automation will require change management and a new set of audit criteria.

#3 Implement procedures to review forms submitted by CSCD for appropriate approval.

Response

CSCD completes and submits CS-3 forms which are then entered into SAP by HR Benefits staff and audited like all other CS-3 forms. CSCD has decentralized authority which allows them to enter CS-5 information directly into SAP. CSCD has their own pay schedule, policies and rules completely separate from Tarrant County's pay schedules, policies and rules. Perhaps responsibilities and liabilities could be addressed in the annual agreement between the County and CSCD. We'll explore this possibility with the Criminal District Attorney's Office as well as the County Administrator.

Again, we appreciate the opportunity to respond to your audit findings. A special thanks to your audit team, Kim Buchannan and Matt Jones for their professionalism and willingness to help us understand the audit findings.


Tina Glenn
Director of Human Resources