

<p style="text-align: center;"><b>POLICY OF</b></p> <p style="text-align: center;"><b>STATE OF DELAWARE</b></p>	<p style="text-align: center;"><b>POLICY NUMBER</b></p> <p style="text-align: center;">12.3</p>	<p style="text-align: center;"><b>PAGE NUMBER</b></p> <p style="text-align: center;">1 of 5</p>
<p style="text-align: center;"><b>DEPARTMENT OF CORRECTION</b></p>	<p><b>RELATED ACA STANDARDS:</b></p> <p>2-CO-1B-05; 4-4040; 4-ACRS-7D-27</p>	
<p><b>CHAPTER: 12 Central Business Office</b></p>	<p><b>SUBJECT:</b></p> <p><b>PAYROLL – INTERNAL CONTROLS</b></p>	
<p><b>APPROVED BY THE COMMISSIONER AND</b></p> <p><b>EFFECTIVE THIS DATE:</b>  1/15/2015</p>		
<p><b>APPROVED FOR PUBLIC RELEASE:</b></p>		

- I. **AUTHORITY:** 29 *Del. C.* 89 § 8903 (4)(5)(7), 11 *Del. C.* §6517
- II. **PURPOSE:** To ensure consistent and effective internal controls for payroll transactions.
- III. **APPLICABILITY:** All Department timekeepers, Human Resources (HR) unit and Central Business Office (CBO).

IV **DEFINITIONS**

**PHRST** - State of Delaware Payroll system, acronym for Payroll Human Resource Statewide Technology

**Update Access** – Level of security in PHRST that allows an employee to input data.

**Inquiry Access** – Level of security in PHRST that allows view only access.

**Report Access** – Level of security in PHRST that allows an employee to view reports in PHRST and DocumentDirect.

**Direct Deposit** – Transfer of payroll funds directly to the employee’s bank account. As of January 1, 1996, participation in Direct Deposit is a mandatory condition of employment with the State of Delaware

**Post-confirm** – Final payroll expenses for a particular pay period.

**ESS** – Acronym for Employee Self Service. A website provided by the State of Delaware for employees to view paychecks, eBenefits, W-2’s, home/mailling address and Race/Ethnicity Designation.

- V. **POLICY:** It is the policy of the Department of Correction (DOC) to develop, maintain and enforce internal financial controls for payroll processing procedures.

Annually, the Department submits an updated Payroll Authorized Signature Card to the Division of Accounting. The signature card provides the names of employees authorized to submit the Payroll Funding Expenditures Authorization email. An updated signature card is submitted to the Division of Accounting if there is a change in authorization, such as designated employee, termination, change in role or addition of new employee.

<p style="text-align: center;"><b>POLICY OF</b></p> <p style="text-align: center;"><b>STATE OF DELAWARE</b></p> <p style="text-align: center;"><b>DEPARTMENT OF CORRECTION</b></p>	<b>POLICY NUMBER</b>	<b>PAGE NUMBER</b>
	12.3	2 of 5
<p><b>CHAPTER: 12 Central Business Office</b></p>	<b>RELATED ACA STANDARDS:</b>	
	2-CO-1B-05	
	<b>SUBJECT:</b>	
	PAYROLL – INTERNAL CONTROLS	

## **VI. PROCEDURE:**

### Segregation of Duties: Security

1. User roles for processing HR, (Benefits Administrator (BA) and Payroll (PR) functions are assigned to ensure segregation of duties.
2. Update access is limited to employees responsible for data entry in PHRST.
3. Inquiry and Report access is limited to employees with a business reason.
4. Cross-discipline/dual access is reviewed and approved at the senior level by the HR Specialist.
5. PR/HR staff records are updated by the HR Specialist and Senior HR Technicians.

### Segregation of Duties: Workflow

#### HR

1. The HR Manager approves all hires, terminations and promotions.
2. HR Specialists and HR Senior Technicians enter salaries and wage rates, which are approved by the HR Manager or HR Director.
3. HR Specialists enter other HR data.
4. The HR Manager or HR Specialists verify HR data entry.

#### PR

1. The Fiscal Administrative Officer (FAO), Accountant, Fiscal Analyst and Seasonal employees perform and verify payroll data entry. Internal controls are supported by data entry being performed by one employee and verified by another.
2. The FAO, Accountant, Fiscal Analyst and Seasonal employees perform and verify Direct Deposit data entry. Internal controls are supported by data entry being performed by one employee and verified by another.
3. The FAO and Accountant enter, verify and approve prior period adjustments. Internal controls are supported by data entry being performed by one employee and verified by another.
4. The Senior FAO or Controller reviews payroll reports and registers.
5. The Controller or Senior FAO authorizes payroll funding expenditures.

POLICY OF STATE OF DELAWARE	POLICY NUMBER 12.3	PAGE NUMBER 3 of 5
DEPARTMENT OF CORRECTION	RELATED ACA STANDARDS: 2-CO-1B-05	
CHAPTER: 12 Central Business Office	SUBJECT: PAYROLL – INTERNAL CONTROLS	

#### Reconciliations

1. The Controller or Senior FAO reconciles post-confirm payroll funding.
2. The Senior FAO reconciles payroll reports to the General Ledger.
3. The Senior FAO of Medical Services and the Management Analyst III of the Bureau of Community Corrections maintain appropriate “management of effort” records for payroll charged to federal grants, per OMB Circular A-87.

#### Payroll Funding Adjustments (PFA)

1. The FAO enters Payroll Funding Adjustments (PFA) and the Accountant reviews for accuracy.
2. The Senior FAO authorizes and approves PFAs.
3. The Senior FAO reviews PFA reports.

#### Time and Attendance Records

1. The timekeepers maintain time and attendance records through the use of paper timecards and timesheets, which are audited annually by HR.
2. Supervisors pre-approve all overtime worked.
3. Supervisors pre-approve all types of leave usage, except for unforeseen absences requiring the use of sick leave or annual leave.
4. PR personnel communicate and enforce deadlines for time reporting and approvals to timekeepers.

#### Segregation of Duties: Workflow – Payroll Disbursements, Advices, ESS

1. Employees are encouraged to use ESS to access pay advices.
2. Secure/private computers are provided for employees to access ESS.
3. Employees are prohibited from accepting other employee’s paychecks/advices.

#### Employee Refunds/Overpayments

1. The timekeeper or HR Specialist documents overpayments to employees and the FAO reviews prior to repayment processing.
2. The FAO immediately reports overpayments to the Payroll Compliance Group at the Division of Accounting.

<p style="text-align: center;"><b>POLICY OF</b></p> <p style="text-align: center;"><b>STATE OF DELAWARE</b></p>	<p style="text-align: center;"><b>POLICY NUMBER</b></p> <p style="text-align: center;">12.3</p>	<p style="text-align: center;"><b>PAGE NUMBER</b></p> <p style="text-align: center;">4 of 5</p>
<p style="text-align: center;"><b>DEPARTMENT OF CORRECTION</b></p>	<p><b>RELATED ACA STANDARDS:</b></p> <p><b>2-CO-1B-05</b></p>	
<p><b>CHAPTER: 12 Central Business Office</b></p>	<p><b>SUBJECT:</b></p> <p><b>PAYROLL – INTERNAL CONTROLS</b></p>	

3. Timekeepers or HR Specialists document payments of prior-period underpayments, which the Accountant reviews and the FAO approves.
4. The timekeeper and Senior HR Technicians adjust time and attendance records for over- and underpayment scenarios.

Training

1. Procedures are documented to ensure the payroll function is maintained and operated if key personnel leave or are absent at critical times.
2. Employees are cross-trained to ensure uninterrupted performance of HR and PR functions.
3. Training is maintained and updated to ensure HR and PR personnel perform their functions properly.

Segregation of Duties: Workflow – Employee Records and Files

PR

1. Access to payroll records are secure and limited to authorized personnel

HR

1. Personnel files are established for all employees.
2. Physical controls exist over personnel records to prevent loss or unauthorized access.
3. Personnel files include documentation of all promotions, raises, transfers, termination, disciplinary actions, etc.
4. Employee attendance records have been established and properly maintained.
5. Personnel files do not include withholding and deduction authorizations.
6. Appropriate records are maintained for accumulated employee benefits such as vacation, sick, compensatory time, pension, etc.
7. Changes to employee salary, wage rates, payroll deductions, transfer or termination are properly authorized, approved and documented.
8. Changes to employment status, salary/wages and deductions are promptly reported to the payroll unit.
9. Termination settlements are communicated to the payroll unit in a timely fashion.

<p style="text-align: center;"><b>POLICY OF</b></p> <p style="text-align: center;"><b>STATE OF DELAWARE</b></p>	<p style="text-align: center;"><b>POLICY NUMBER</b></p> <p style="text-align: center;">12.3</p>	<p style="text-align: center;"><b>PAGE NUMBER</b></p> <p style="text-align: center;">5 of 5</p>
<p style="text-align: center;"><b>DEPARTMENT OF CORRECTION</b></p>	<p><b>RELATED ACA STANDARDS:</b></p> <p><b>2-CO-1B-05</b></p>	
<p><b>CHAPTER: 12 Central Business Office</b></p>	<p><b>SUBJECT:</b></p> <p><b>PAYROLL – INTERNAL CONTROLS</b></p>	

Records Retention

1. Employee authorizations and changes for payroll deductions, tax withholding, etc. are kept on file per the following retention schedules:

IRS Regulations – 4 year retention

- a. Employee name, address, occupation and Social Security number
- b. Form W-4
- c. Fringe Benefit allowances and substantiation

FLSA Regulations – 3 year retention

- a. Name as it appears on Social Security card
- b. Start of employee’s workweek (time and day)
- c. Hours worked each workday and workweek
- d. Basis for Regular rate of pay calculation

State of Delaware Requirements

Retention schedules for personnel/payroll records are followed as defined by the Department of State, Public Archives  
[http://archives.delaware.gov/govsvcs/general\\_records\\_retention\\_schedules/index.shtml#ToPage](http://archives.delaware.gov/govsvcs/general_records_retention_schedules/index.shtml#ToPage) .

Miscellaneous

1. The Continuity of Operations Plan (COOP) is on file for Disaster Recovery and a Department-wide exercise is performed annually.
2. PR staff is not identified as “essential” in the event of adverse weather conditions.
3. PR personnel establish the communication plan to inform employees of critical payroll deadlines.
4. HR employees meet with terminating employees prior to the last day of work to review benefits, return of Department-issued equipment and uniforms, and as a final review of any termination settlement.
5. Salary payments are never issued to employees via the Petty Cash Account.

