



Office of Inspector General Payroll Process

Report #A-1920-006

July 2020

Executive Summary

In accordance with the Department of Education's fiscal year (FY) 2019-20 audit plan, the Office of Inspector General (OIG) conducted an audit of the department's internal controls over the payroll process. The purpose of this audit was to determine if the department has effective internal controls over the payroll process, maintains appropriate separation of duties related to the payroll process, and securely maintains access to personally identifiable information related to the payroll process to protect against unauthorized access.

During this audit, we determined that the department generally had sufficient internal controls in place over the payroll process and the security of personally identifiable information related to the payroll process. As part of our audit, we reviewed a sample of Personnel Action Requests to ensure supporting documentation supported changes made in the system regarding separations, new hires, pay changes, and promotions. We determined all sampled files contained the appropriate forms and supporting documentation. Additionally, we determined the physical files are stored securely.

We reviewed access to both the People First system and the payroll (PYRL) function within the Florida Accounting and Information Resource (FLAIR) system. We determined users were assigned appropriate access for their job areas. We reviewed samples of On-Demand payments and concluded the sampled warrants were made accurately and were supported by appropriate documentation for the payment code used. We reviewed audit reports from the Report Distribution System and determined Payroll staff used the reports to identify and take corrective action as needed to ensure accurate payroll payments.

We identified one instance where improvements could be made to strengthen the security of personally identifiable information. We cited instances where Bureau of Personnel Management did not follow the guidelines set by the Department of Management in regards to the storage of Social Security Numbers. See the Audit Results section below.

Scope, Objectives, and Methodology

The scope of the engagement included an examination of the payroll process for the period of January 1, 2019, through October 31, 2019. Our objectives for the audit included:

1. Determining if the department has effective internal controls over the payroll process and maintains appropriate separation of duties; and
2. Determining if access to personally identifiable information related to the payroll process is securely maintained and adequately protected from unauthorized access.

To accomplish our objectives, we reviewed applicable laws, rules, and regulations; interviewed appropriate department staff; reviewed a sample of personnel action changes and supporting documentation; reviewed access to payroll and human resource systems; reviewed documentation of the dissemination of paper warrants; reviewed department policies regarding the storage of personnel files with personally identifiable information; reviewed a sample of personnel files; reviewed the internal payroll process; reviewed a sample of on demand payments and supporting documentation; and reviewed payroll guidelines from the Bureau of State Payroll and the Department of Management Services.

Background

The Florida Department of Education's Division of Finance and Operations directs and oversees operating budgets, the Public Education Capital Outlay budget, and the Florida Education Finance Program allocations. It also encompasses the Bureau of the Comptroller and the Bureau of Personnel Management, which play key roles in the payroll process within the department.

The Bureau of Personnel Management is responsible for supporting department staff with human resource policies, programs, and services as well as actions related to People First (PF) system security. The PF system is managed by the Department of Management Services (DMS) and is the State of Florida's self-service, online, human resource information system. Other Bureau of Personnel Management responsibilities include:

- Implementing and administering the role code assignment guideline;
- Implementing and administering the employee security guideline;
- Implementing and administering the employee background check guideline;
- Assisting the People First Team with performing system security audits;
- Providing information security awareness training to employees;
- Providing specialized training for employees who view or manage confidential information; and
- Maintaining records of individuals who have completed security awareness training.

As part of administering role code assignment guidelines, Personnel Management staff may assign various role codes to authorized agency staff, allowing them higher-level access to confidential information within the agency as needed to perform specific job duties. Certain positions of special trust may require a security role code that allows access to employee information outside of their respective agencies. This level of access can only be granted by DMS. DMS also conducts periodic audits of the assignment of role codes to employees. None of the role codes assigned to the agency provide access to view or change an employee's direct

deposit information. In addition to the above duties, Personnel Management staff ensure personnel action change packets are completed and entered into PF.

The Bureau of the Comptroller provides service in the areas of grants management, accounting, financial management information, payroll, and travel reimbursement to the department's program administrators, employees, and project recipients. The Bureau of the Comptroller includes the following sections:

- “State & Federal Grants Section - The Grants Section is responsible for the fiscal budgeting and reporting for both state and federal grants administered by the Department. The Grants Section also provides technical assistance to local and state agencies receiving educational grants and financial assistance.
- Fiscal Section for Vocational Rehabilitation - The Vocational Rehabilitation Fiscal Section is responsible for the Division of Vocational Rehabilitation’s internal financial and accounting operations, which include contractual payments, accounts payable, revenue, and client services.
- Fiscal Section for Blind Services - The Blind Services Fiscal Section is responsible for the Division of Blind Service’s [sic] internal financial and accounting operations, which include contractual payments, accounts payable, revenue, and client services. Revenue includes refunds, Social Security, reimbursements, and Bureau of Business Enterprises set aside. This unit is also responsible for the fiscal budgeting and reporting for both state and federal grants administered by the Division of Blind Services.
- General Accounting Section - The General Accounting Section includes the following offices: Accounts Payable, Payroll, Travel, Contractual Payments, Cash Management, and Voucher Audit & Reconciliation. The Accounts Payable, Payroll and Travel Offices are responsible for the auditing and processing of the Agency’s payroll records, travel requests and accounts payable disbursements.”

The Payroll office is responsible for the preparation of payroll files and dissemination of paper warrants once the payroll has been processed by the Bureau of State Payroll (BOSP). They ensure only authorized personnel are retrieving and disseminating paper warrants. The payroll team primarily uses the PYRL component of the FLAIR system, managed by DFS. As the owner of FLAIR, the Department of Financial Services is responsible for its design, implementation, and operation. The access given to the agency is limited and does not allow agency staff to add department employees to the payroll component directly through FLAIR. Agency staff must add department employees through PF, which then updates into FLAIR. FLAIR does not allow for the viewing or changing of staff direct deposit information.

Audit Results

Finding 1: Copies of employee Social Security Cards are stored outside of the employee’s confidential/medical file.

The DMS Division of Human Resource Management guidelines recommend a general-purpose confidential/medical file be maintained separately from the personnel file to avoid disclosure of protected information. This file would contain documents containing criminal records in addition to any medical or health information protected by federal laws. Additionally, DMS

advises that I-9 forms and documents provided to verify identity and employment eligibility be stored separately to protect personally identifiable information. The guideline states, “Regardless of whether it was needed for payroll, benefits or employment verification purposes, social security numbers are protected by state laws such as subsection 119.071(4), F.S.; any copy of the employee’s Social Security card that has been collected should also be maintained separately within the confidential/medical file.”

We reviewed supporting documents for new hires to ensure personally identifiable information related to the payroll process is securely maintained and adequately protected from unauthorized access. Included in the list of required documents for new hires were social security cards and driver’s licenses. A copy of a document used to verify identification is also required as supporting documentation with the I-9 form used for E-verify. During our review of Personnel Action Requests, we observed that copies of social security cards were included in the primary personnel files housed in the Bureau of Personnel Management. A copy of the social security card was also included as supporting documentation with the I-9 form used for E-verify, which were filed in the Bureau of Personnel Management, but separately from the primary personnel file.

Although the files stored in the Bureau of Personnel Management are the official staff personnel files, individual divisions and offices often maintain a secondary file for employees within their offices to retain records specific to that unit’s needs. To gather more information on the contents and storage of these files, we surveyed divisions and offices within the department to determine the contents and manner of storage of personnel files. We received 20 completed survey submissions from the various divisions and offices. All 20 respondents stated that they do maintain a separate internal personnel file for various purposes. Those reasons included but were not limited to:

- Keeping an additional copy of documents sent to the official staff file in the Bureau of Personnel Management in the event that documents are lost or if the documents are needed at a later date; and
- Maintaining documents specific to unit functions, such as training records, purchase card documentation, or membership records.

We inquired whether they had received instruction or guidance on the storage of personnel files. Of the 20 respondents, 11 (55%) stated that they had not received training or guidance. We noted that Information Security Training is a required training to be completed within the first 30 days of employment. This training covers the security of both digital and paper documents containing sensitive information. The storage of the files did not vary widely with all twenty respondents stating that they stored the files in locked cabinets. Two units also have additional electronic files stored on a shared drive with access to the files limited to one to four people within the unit.

We inquired whether copies of social security cards were included in the stored personnel files. Of the 20 respondents, 17 (85%) stated that they include a copy of staff social security cards within their files. Social security cards are collected as part of the hiring process and liaisons maintain copies for the internal files. While the Information Security Training addresses confidential and personally identifiable information data security, it does specifically address

personnel files and does not prohibit the storage of social security cards. The training instructs employees to lock confidential documents in file cabinets. The practice of including copies of social security cards in stored personnel files leaves employees' personally identifiable information at potential risk for identity fraud and disclosure of protected information.

Recommendation

To comply with the DMS guidelines and avoid disclosure of protected information, we recommend the Bureau of Personnel Management remove all copies of social security cards from the department's primary personnel files and store them in a separate confidential file, such as the I-9 file. Further, we recommend the Bureau provide guidance to personnel liaisons instructing them that social security cards should not be stored in individual personnel files and ensure copies of the social security cards are removed.

Management Response

We agree with the IG's recommendation. Copies of social security cards will be removed from the department's official personnel files and stored in the I-9 files. The HR process of filing new employee paperwork will change: we will no longer store the social security card in the official personnel file. Additionally, HR will provide guidance to personnel liaisons to ensure that social security cards are not stored in their personnel files and that copies of existing social security cards are removed from their personnel files.

Closing Comments

The Office of the Inspector General would like to recognize and acknowledge the Division of Finance and Operations and staff, for their assistance during the course of this audit. Our fieldwork was facilitated by the cooperation and assistance extended by all personnel involved.

To promote accountability, integrity, and efficiency in state government, the OIG completes audits and reviews of agency programs, activities, and functions. Our audit was conducted under the authority of section 20.055, F.S., and in accordance with the International Standards for the Professional Practice of Internal Auditing, published by the Institute of Internal Auditors, and Principles and Standards for Offices of Inspector General, published by the Association of Inspectors General. The audit was conducted by Melissa Melendez del Rosario and supervised by Tiffany Hurst, CIA, Deputy Inspector General.

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