

# INTERNAL AUDIT

Targeted Payroll Analytics  
Audit Report

May 21, 2019



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## Executive Summary

### Background

In 2016, Oracle Fusion Cloud Service, an integrated ERP solution, was purchased to support Citizens' strategic goal to ensure a strong financial operating environment. The Oracle integrated ERP solution, branded by Citizens as Centerpoint, replaces independent applications previously used by individual departments. The Centerpoint project consisted of five phases with implementation dates ranging from April 2017 through November 2018. Two of the five phases focused on Human Resources:

- Phase 4, Human Capital Management (HCM) functions, such as benefits, payroll, time and absence management, and talent acquisition went live in December 2017.

The HCM module within the Centerpoint application is utilized to enter, process, and manage payroll, benefits, time and labor, and talent management for Citizens. Privileged roles within the HCM module allow an assigned user the ability to create and modify employees' salaries, benefits, addresses, and bank accounts. Access management includes creating, modifying, terminating, and monitoring user access, roles, and permissions. Designated business owners, access managers, and an access provisioning team are collectively responsible for access management control.

The Office of the Internal Auditor performed an audit of Centerpoint HCM User Access and issued a report September 7, 2018. Due to system limitations, the complexity of Oracle roles and permissions, and the business need to create custom roles, which contributed to challenges in effectively managing user access. These conditions suggest the need to validate that the vulnerabilities above have not been exploited.

### Audit Objectives and Scope

The objective was to assess occupational fraud risks related to the payroll processes and evaluate instances where the process appears compromised to ensure no misconduct (to include misappropriation and/or occupational fraud) was committed.

Leveraging computer-aided audit techniques ("CAAT"), we evaluated all payroll disbursement transactions since the implementation of Centerpoint (January 2018) to January 2019. This identified anomalies (or red flags) in the data that require detailed review to validate any potential misconduct.

### Audit Results

We considered occupational fraud risks common in the payroll process and developed thirty-three CAATs that were designed to identify unexpected or unexplained patterns in data that may represent potential misconduct. Results of our CAATs highlighted twenty-four anomalies that required further audit work to validate authenticity.

Although no occupational fraud was identified, we noted three instances where paychecks were distributed inappropriately. These instances were of low dollar amount; however, highlight a

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potential impact on control effectiveness at the business unit level to reduce reputational risk and occupational fraud risk. We recommend that Management seek to recover the money distributed inappropriately.

Considering the recent HCM implementation and other challenging circumstances, Human Resources continues to proactively identify improvement opportunities and implement appropriate action plans. We would like to thank management and staff for their cooperation and professional courtesy throughout the course of this audit.



## Appendix 1

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### Distribution

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**Following Audit Committee Distribution:**  
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The Honorable Jimmy Patronis, Chief Financial Officer  
The Honorable Ashley Moody, Attorney General  
The Honorable Nikki Fried, Commissioner of Agriculture  
The Honorable Bill Galvano, President of the Senate  
The Honorable Jose R. Oliva, Speaker of the House of Representatives

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