



# OFFICE OF THE COUNTY AUDITOR

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To: Margaret Ewing, Human Resources Director

From: Bob Grogan, CPA, CFE   
County Auditor

Subject: Retention Benefit Payments Limited Scope Internal Audit  
#18-128

Date: December 5, 2018

The Office of the County Auditor has completed a limited scope internal audit of the payment of retention benefits for the pay period ended November 30, 2018. The results of the audit identified no exceptions related to the payment of retention benefits or for required disclosures for four sample employees receiving such benefit payments this pay period.

## **Results**

Audit procedures determined that for the pay period ended November 30, 2018, four sample employees were eligible for retention benefits and received the appropriate amount of retention benefit payments as outlined in the County's personnel policy. Additionally, disclosures required by the State were made correctly.

It was noted that one sample employee did not receive payment for 60 regular hours totalling \$3,324.25, as a result of an omission by the department's timekeeper who entered his hours. The County Auditor notified the Human Resources Department who confirmed the shortage and a supplemental pay check will be issued to the employee.

## **Objective**

On a sample basis, the County Auditor will perform a series of audit procedures designed to evaluate the internal controls involved in the processing of various types of entries in the Enterprise Resource Planning (ERP) system. The actual procedures performed will depend upon the County Auditor's assessment of risks associated with the transactions. A review was performed to determine if the payroll reports currently available to the County Auditor provide accurate data relative to the reporting of hours and amounts for County employees.

## **Background/Audit Scope**

The implementation of the Enterprise Resource Planning (ERP) payroll system in January 2015 has resulted in significant changes to the processing and reporting of payroll transactions compared to the payroll systems formerly used by the County.

This limited-scope internal audit was designed to test payroll transactions to determine if the transactions have been entered correctly as well as reviewing the transactions for compliance with applicable policies. The audit procedures consisted of examining the payroll and employment verification reports available to the County Auditor for the pay period ended November 30, 2018. On a sample basis, the service period and age of employees receiving retention benefit payments was examined to determine eligibility for retention benefits as defined in the County's personnel policy. The total number of hours of retention benefits paid to sample individuals in prior payroll periods in addition to the current pay period was calculated to verify that the employees did not exceed the maximum allowable retention benefit as outlined in the County's personnel policy. The sample represented 2,985.00 hours and \$154,812.94 of retention benefit payments.

On July 28, 2016, Public Act 99-0646 became effective creating the Local Government Wage Increase Transparency Act. The Act requires local governments to disclose certain wage increases made to employees under Article 7 of the Illinois Pension Code. Under certain circumstances, the payment of accrued benefits to an employee, including retention benefits, would be considered a disclosable payment requiring discussion by the governing board in accordance with the Open Meetings Act.

Limited audit procedures were performed by the County Auditor to test the compliance of the County with the Act. Of the four individuals who received retention benefit payments, one was included in the County Board Other Action Items memorandum of November 27, 2018. The retention benefit payments to the three other employees did not meet the criteria as a disclosable payment as defined by the Act and were not required to be included as an Other Action Item on a County Board agenda.

The County Auditor's review of payroll and employment verification information identified no discrepancies related to the payments of retention benefits for the four sample employees.

It was noted that one individual who received retention benefit payments did not receive payment for 60 regular hours on his final pay check for the pay period ended November 30, 2018. The Human Resources Department was contacted by the Auditor's Office and confirmed that the hours were not entered. This error apparently occurred when the department's timekeeper inadvertently omitted the employee's regular hours. The Human Resources Department's standard procedure is to send a preliminary payroll report to each department for their review prior to the issuance of the paychecks, however it appears that this review did not identify the error. The Human Resources Department stated that they would issue a supplemental payroll check to the individual for the underpayment.

### **Recommendations**

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No recommendations are being made to the Human Resources Department for improvement of the process for payment of retention benefits at this time.

If you have any questions, please contact me or Chief Deputy Auditor Peter Balgemann.

cc: County Board  
Thomas Cuculich, County Administrator