



City of Sioux Falls Internal Audit

Payroll

Audit Highlights

26-04

Background

- The Payroll audit was included as part of the three-year audit plan.
- The City of Sioux Falls processes payroll for a diverse population of approximately 2,000 employees, including bargaining unit and non-bargaining unit employees, through a centralized payroll function supported by multiple systems and departments.
- Public safety employees (i.e., fire and police), record hours through Telestaff, while the remaining City employees utilize Time & Attendance to track hours.
- Payroll operations involve coordination between Human Resources, Payroll, and Finance personnel to ensure employee data, timekeeping information, and financial reporting are maintained accurately and consistently across the organization. Employees are paid every two weeks on Fridays.
- Upon completion of payroll processing, payroll transactions are recorded directly within Munis, the City's financial system. As Munis serves as both the payroll processing and general ledger system, payroll expenses and related liabilities are posted within the same system. This integration supports the accurate and timely recording of payroll activity in the City's accounting records.
- The payroll process includes multiple layers of review and approval designed to promote accuracy and completeness.
- Payroll processing is completed by Human Resources.

Objective & Scope

Objective:

The audit scope included a review of payroll processes and controls for the City of Sioux Falls, with a focus on assessing control effectiveness for the complete, accurate, and timely payment of payroll. The scope encompassed payroll-related procedures, timekeeping and payroll systems, payroll calculations and approvals, employee master file changes, payroll adjustments, payroll-to-general ledger reconciliations, and user access management. Our review focused on whether established processes and controls are designed and operating to support payroll processing in accordance with City procedures; however, we did not assess the accuracy of individual employee payroll amounts beyond the selected samples tested.

Scope:

To review payroll processes and controls and assess whether payroll transactions are processed completely, accurately, and timely. This included evaluating timekeeping, payroll calculations, approvals, employee master file changes, payroll adjustments, reconciliations, and user access for compliance with established policies, procedures, and applicable requirements.

What we found

Based on sample testing and process walkthroughs with payroll personnel, we found that payroll processes and controls are generally being followed to support the complete, accurate, and timely payment of employees.

Finding 1: User access management control should be strengthened, particularly for test accounts.

Opportunity for Improvement 1: Opportunities exist to enhance the consistency and clarity of the user access review process. Specifically, expectations regarding review frequency, documentation, and evidence of preparer and reviewer approval are not consistently defined.

Recommendations

Recommendation 1: We recommend implementing controls to ensure that temporary or elevated access accounts are appropriately managed, including defining activation periods, monitoring usage, and establishing end dates for deactivation. Access associated with testing or other temporary activities should only be active when needed and removed or disabled promptly after use to reduce the risk of unauthorized access.

Management's Response: *The City agrees with the recommendation and recognizes the importance of appropriately managing temporary and elevated system access. The City believes the best process for these particular role changes (temporary or elevated access) is to develop a ticketing process through Ivanti. This process would require a two-step review and approval process. The first step would notify human resources and finance of the new admin and activation of these roles.*

Along with this, a second step will be implemented to identify an end date or have recurring tasks sent to finance to reiterate this access to finance and HR until the role is deactivated. This would provide additional documentation in regard to the role still being active or removed.

The City will work with individuals in charge of providing access through IT to implement this. Along with this, the City will implement documented procedures that outline this process and the parties involved.

Management Representative Responding: *Cody Papke, Chief Accountant*

Date of expected implementation: *August 31, 2026*

Opportunities for Improvement

Opportunity for Improvement 1: We recommend defining and documenting formal expectations for user access reviews, including review frequency, required documentation, and preparer and reviewer sign-off. Documentation of reviews should include evidence of reviewer approval, even when no significant findings are identified, to demonstrate completeness of the review and appropriate oversight. Additionally, user access reviews should include evaluation of access to shared accounts to ensure access is appropriate and periodically validated.

Management's Response: *The City agrees with the opportunity and recognizes the importance of appropriately documenting formal expectations. The City will work on developing both a formal control policy that indicates the frequency of employee reviews.*

The Chief Accountant will also perform and sign off on a monthly review in a similar manner as to before the audit but with a sign off of a review to ensure that all elevated items were in fact submitted for a ticket.

An annual review of all admin and elevated roles will be performed on an annual basis by finance, HR, and IT and will be signed off prior to year-end.

Management Representative Responding: *Cody Papke, Chief Accountant*

Date of expected implementation: *August 31, 2026*

Conclusion

- Areas of success included the completeness of audit support provided as well as the structure of the process.
- Payroll processes are well established, and controls appear to be in place to support the completeness and accuracy of payroll.
- Internal Audit believes that opportunities exist to enhance documentation, consistency, and oversight within certain control areas and user access management.
- We would like to thank Human Resources and the Finance Department who we worked with on the audit for their assistance.