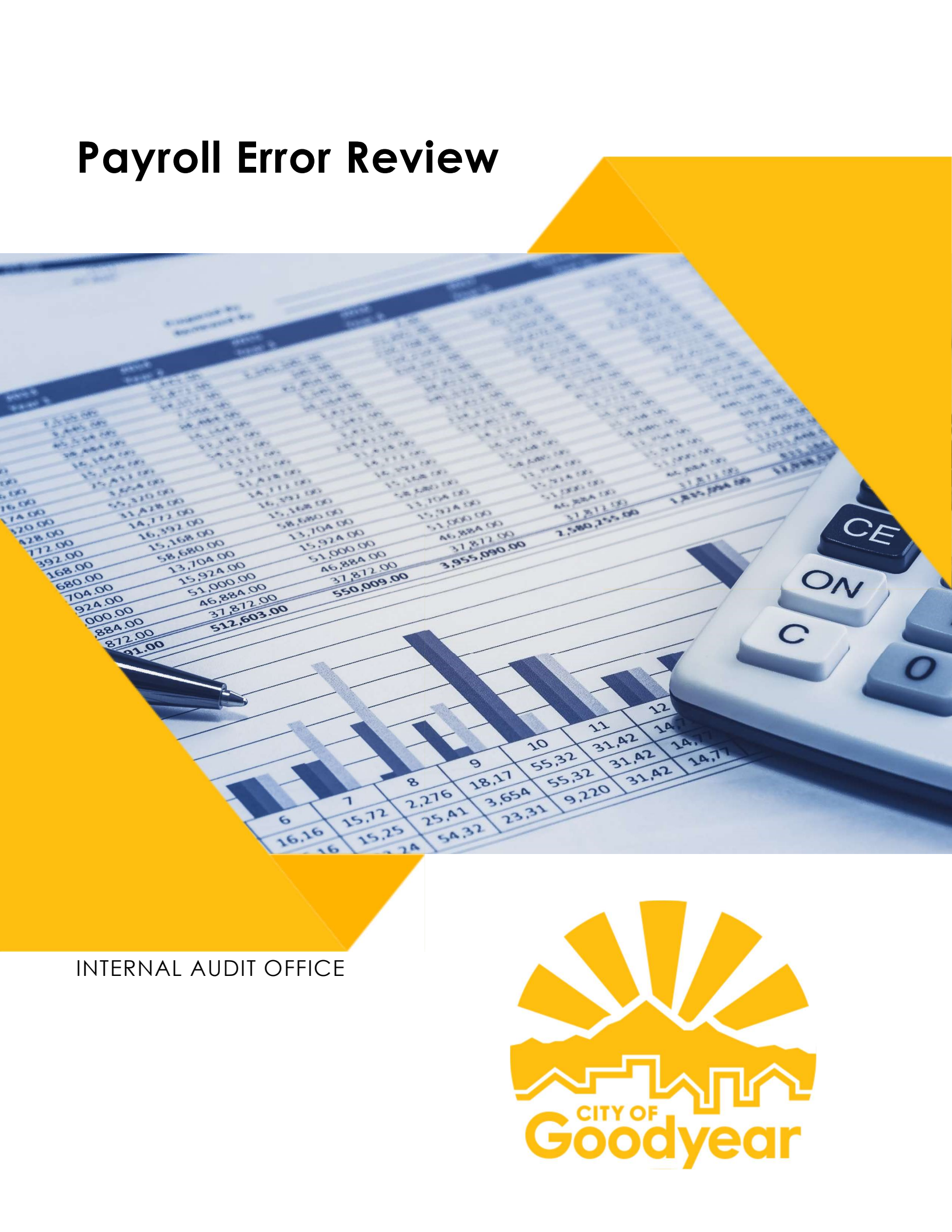


Payroll Error Review

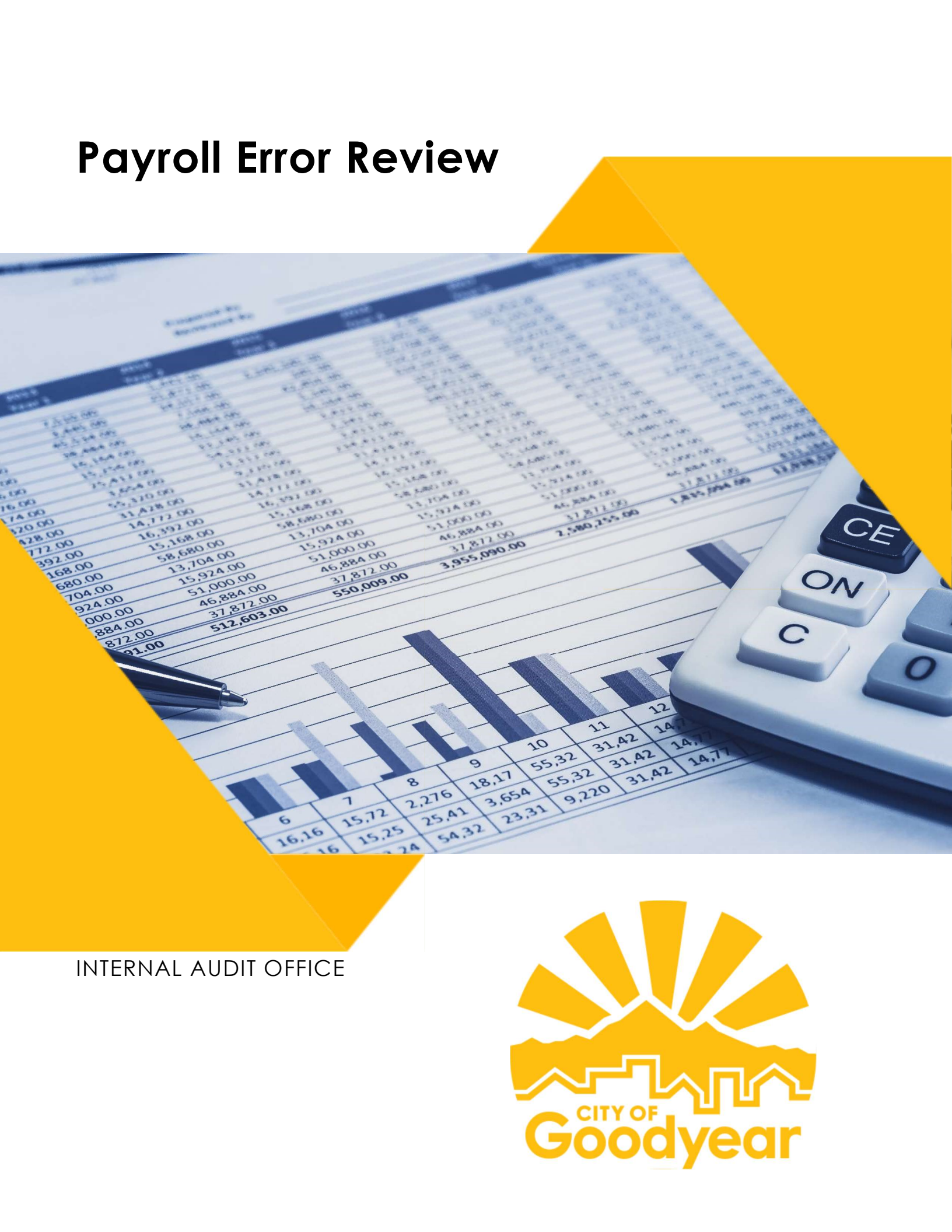


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Goodyear

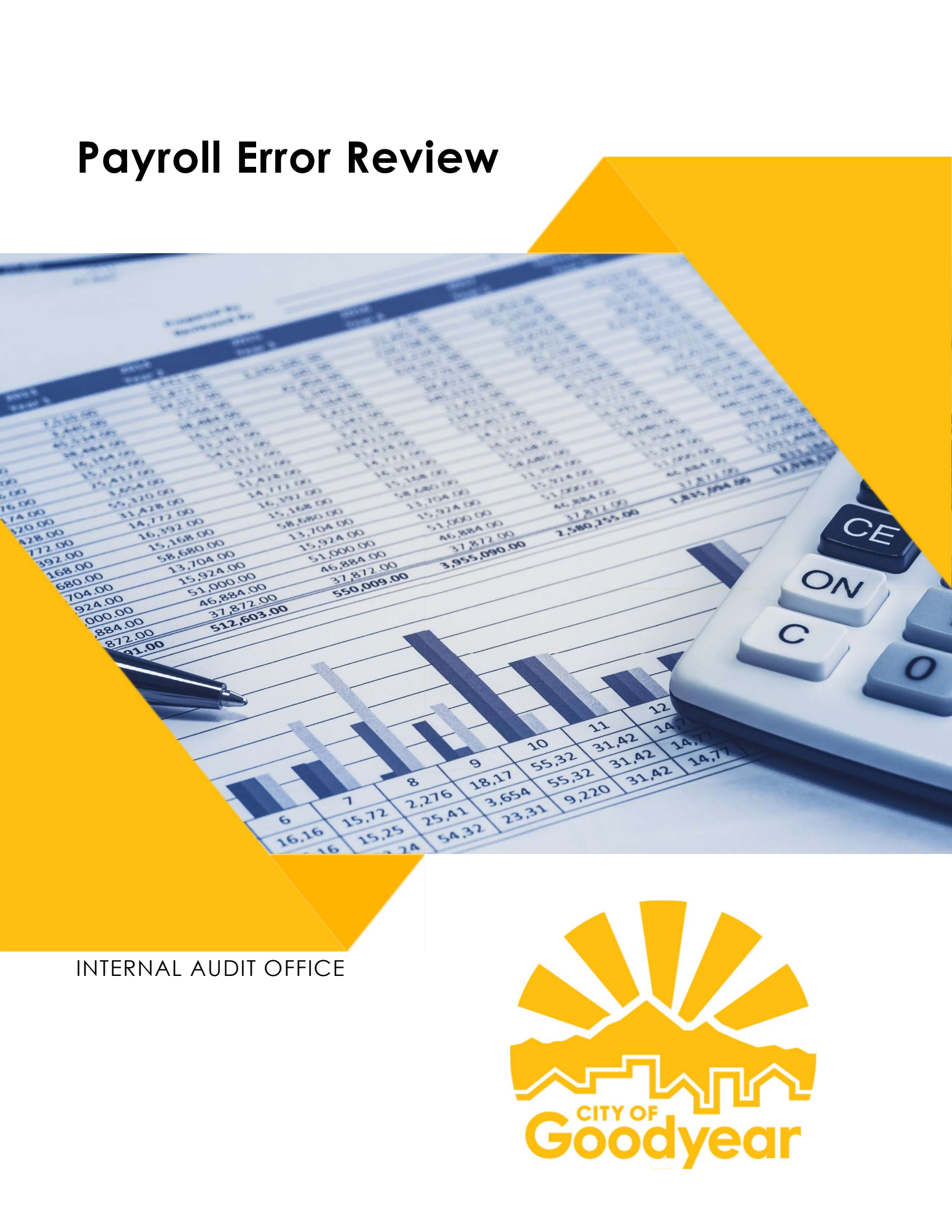
Payroll Error Review



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The logo for the City of Goodyear, featuring a stylized yellow sunburst above a white outline of a city skyline, with the text "CITY OF Goodyear" in yellow below it.





Payroll Error Review

Finance-Payroll, Human Resources & Information Technology FY25 Payroll Error Review

Why We Did This Review

The City uses a centralized payroll process, relying on individual departments to record and report employee work hours for each payroll cycle.

Effective controls over timekeeping—such as accurate collection of employee hours and timely updates to the employee master file—are essential to ensure payroll runs efficiently and accurately.

During payroll startup, errors occur that halt processing until corrected. This review examined departmental timekeeping sub-systems and the data import process into the payroll system to identify the root causes of these errors.

We appreciate the cooperation and support provided by Finance – Payroll, Human Resources, and Information Technology during this review.

Key Observations

- Implement preventive controls between timekeeping systems and the payroll system to streamline processes and minimize errors.
- Monitor and manage the timing of employee master file updates within the payroll cycle to reduce the risk of data-related errors.
- Define and enforce clear cutoff dates for employee master file changes to ensure accurate data flow and prevent processing delays.

What We Reviewed

We conducted an analysis of timekeeping sub-systems, time import files, and the resulting error data for errors that stop the payroll from processing. In addition, we reviewed errors that affect employee pay but do not stop payroll processing. The pay-related errors are corrected either during initial error remediation or through subsequent adjustments.





Payroll Error Review

Audit Results

We analyzed error data from six payroll cycles and found that an average of 416 errors occur per pay cycle or 10,820 annually, and *halting* payroll processing until corrected. Within these errors, we noted that ten groups of errors account for most issues. Additionally, we identified 34 *conditions* that may affect employee pay, although these do not stop payroll processing.

We estimated the impact of correcting the errors as:

Estimated Labor Cost of Correcting Errors

Annually	\$89,228.10
Without Errors	<u>\$ 2,144.05</u>
Potential Savings	<u>\$87,084.05</u>

Reducing or eliminating these errors could result in an estimated savings of \$87,045, as payroll processes would run efficiently without interruptions.

Our analysis determined that all errors stem from a lack of preventive controls within the systems, leading to data mismatches. Currently, the sub-systems are not integrated with the centralized payroll system for data validation. When system-based preventive controls are absent, manual controls must be implemented to compensate.

Conclusion

We recommended implementation of ten interim compensating preventive controls, and all detailed recommendations received responses from management with action plans. Management concurred with all recommendations and established target completion dates. We will perform a follow-up in the future to confirm implementation of the action plans and reassess the status of errors.

For payroll related system security reasons, further details are restricted from public reporting.