



COST SAVINGS IN ELECTRONIC PAYROLL PAYSTUBS

INTERNAL AUDIT REPORT

March 4, 2019

MCHENRY COUNTY AUDITOR'S OFFICE

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance process.

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EXECUTIVE SUMMARY

Finance and Audit Committee Members,

FINDING:

The County Auditor's Office is bringing to your attention a way to save the County expenses of printing out paper paystubs to its employees every two weeks. The solution would be to have these paystubs made available electronically through the payroll vendor (ADP) that the County currently uses.

The savings from direct deposit payroll with online pay stubs can be enormous, up to \$1 to \$2 per paycheck according to the Comptroller of the Currency (Financial institutions regulatory agency) estimates. This would be significant savings over a period of just one year (approximately \$28,600 - \$57,200) when the County has over 1,100 employees and distributes paychecks 26 weeks out of the year.

The County's payroll system is currently planned to be replaced through an RFP process that is currently in discussion. It is likely that this system implementation would assist in going electronic for pay stubs. Electronic pay stubs should be incorporated into the RFP process, especially if our current system is truly the barrier for paperless pay stubs.

Pay stubs are provided to departments for pickup 26 times per year. A staff member or department head from each department picks up the stubs from Administration. The stubs are then distributed to the staff in each department. This process takes time from County employees in Administration to distribute the pay stubs to the departments and from the departments to pick up and distribute the stubs to their employees. This time could be better used elsewhere.

Electronic pay stubs could provide employees 24/7 access to online pay stubs, so they don't have to come into work to receive access to this information. Additionally, employees will not need to spend time making sure they are physically keeping record of these documents and the information can easily be made available to them as needed. Many cases these stubs are discarded and copies are requested for employees for loan information or other financial needs. Having them available to County staff electronically would provide many benefits.

RISK RATING: LOW.

RECOMMENDATION:

Management should explore implementing the above mentioned cost savings to determine if this would be a fit for the County. We recommend not waiting for a new payroll system to implement this change. It is recommended for payroll staff to reach out to ADP and the County's IT department to see if there are ways to accomplish this and find savings. Auditor's Office would recommend making the payroll system implementation a priority. The proper County staff should be involved with enough time to properly allocate to the project to ensure it is completed in a timely manner.

MANAGEMENT RESPONSE:

The current version of ADP software being utilized by the County does not allow for the "Employee Portal" where employees could go on line and view their check stubs. Therefore, by law the County is required to produce paper check stubs for all employees, those receiving actual checks and those using direct deposits. When the County does move to a new payroll system, this will be a high priority for implementing (Has been included in the RFP as a requirement). As a side note, the County will need to do some research because not all employees have internet accessibility in their homes or here at the County (those not at a desk job), so we will need to see what the County will be responsible for providing them.

Sincerely,

Shannon Teresi, MAS, CPA, CIA, CFE, CRMA / County Auditor
Don Anderson, CPA, CFE / Chief Deputy Internal Auditor