



## PAYROLL SERVICE BUREAU

### REPORT ON AUDIT FOR THE PERIOD JULY 1, 2014 THROUGH JUNE 30, 2016

Auditor of Public Accounts  
Martha S. Mavredes, CPA

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## AUDIT SUMMARY

Our audit of the Payroll Service Bureau for the period July 1, 2014, through June 30, 2016, found:

- proper recording and reporting of all payroll and benefits transactions and leave accounting, in all material respects, in the Commonwealth's payroll system;
- no matters involving internal control and its operation necessary to bring to management's attention; and
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

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## BUREAU HIGHLIGHTS

The Payroll Service Bureau (Bureau) service center, a division of the Department of Accounts, processes semi-monthly payroll, leave accounting, and certain benefits transactions for various state agencies. The Bureau was established to achieve economies of scale and help to alleviate administrative burden of state agencies. As of July 2016, the Bureau provides services to 58 agencies across the various secretariats for approximately 18,000 employees in total.

The following table lists the participating agencies served by the Bureau during fiscal year 2015 and through July 2016 according to secretariat, along with each agency's service start date with the Bureau. As noted in the table below, four agencies ceased participation with the Bureau, while an additional six agencies began participation with the Bureau during the fiscal year 2015 and through July 2016.

**Listing of Current and Former Bureau Participating Agencies**

Table 1

Participating Agencies by Secretariat	Service Start Date
<b>Secretary of Administration</b>	
Compensation Board	July 1996
Department of General Services	July 2009
Department of Human Resource Management	July 1996
Department of Elections	July 1996
<b>Secretary of Agriculture and Forestry</b>	
Department of Forestry	October 2012
Department of Agriculture and Consumer Services *	January 2012
<b>Secretary of Commerce and Trade</b>	
Board of Accountancy	October 2007
Department of Housing and Community Development	November 1996
Department of Labor and Industry	July 1997
Department of Mines, Minerals and Energy	January 2010
Department of Professional and Occupational Regulation	July 1997
Tobacco Region Revitalization Commission	July 2003
Virginia Racing Commission	July 2005
Department of Small Business and Supplier Diversity	January 2014
<b>Secretary of Education</b>	
Department of Education (Central Office)	July 1996
Frontier Culture Museum of Virginia	January 2005
Gunston Hall	July 2009
Jamestown-Yorktown Foundation	April 2012
Jamestown-Yorktown Commemorations	July 2016
The Library of Virginia	July 1996
Richard Bland College	August 2015
The Science Museum of Virginia	July 2005
Southern Virginia Higher Education Center	July 2006

Participating Agencies by Secretariat	Service Start Date
State Council of Higher Education for Virginia	February 2000
New College Institute	October 2006
Virginia Commission for the Arts	July 1996
Virginia Museum of Fine Arts	October 2009
Virginia School for the Deaf and the Blind - Staunton	January 2010
<b>Secretary of Finance</b>	
Department of Taxation	January 2005
<b>Secretary of Health and Human Resources</b>	
Department of Behavioral Health and Developmental Services	July 2010
Department of Health Professions	July 1997
Department of Medical Assistance Services	July 1997
Office of Children's Services	April 2016
Department of Social Services	April 2016
<b>Secretary of Natural Resources</b>	
Department of Conservation and Recreation	January 2013
Department of Historic Resources	July 1996
Department of Environmental Quality	January 2008
Marine Resources Commission	October 2009
Virginia Museum of Natural History	July 2009
Department of Game and Inland Fisheries	January 2012
<b>Secretary of Public Safety</b>	
Commonwealth's Attorneys' Services Council	July 1996
Department of Criminal Justice Services	July 1996
Department of Emergency Management	July 1997
Department of Fire Programs	July 1997
Department of Forensic Science	July 2005
Department of Military Affairs	August 2008
Department of State Police	July 2006
<b>Secretary of Technology</b>	
Virginia Information Technologies Agency	July 2003
<b>Secretary of Transportation</b>	
Department of Aviation	May 2005
Department of Motor Vehicles	October 2007
Motor Vehicle Dealer Board	October 2007
Department of Rail and Public Transportation	December 1998
<b>Secretary of Veterans and Defense Affairs **</b>	
Department of Veterans Services	May 2012
Sitter-Barfoot Veterans Care Center	May 2012
Virginia Veterans Care Center	May 2012

Participating Agencies by Secretariat	Service Start Date
<b>Executive Offices</b>	
Office of the Attorney General	February 2016
Office of the Attorney General-Division of Debt Collection	February 2016
Office of State Inspector General	July 2012
<b>Judicial Branch</b>	
Virginia Board of Bar Examiners	April 1999
Virginia Indigent Defense Commission	February 2008
<b>Legislative Branch</b>	
Commission on the Virginia Alcohol Safety Action Program	July 2009
Auditor of Public Accounts	July 2011

Source: Payroll Service Bureau records

\* Agency ceased participation with the Bureau effective December 31, 2014.

\*\* All agencies in this secretariat ceased participation with the Bureau effective December 31, 2015.

Upon joining the Bureau, participating agencies retain their responsibility over human resource and benefits administration functions. Though the Bureau assumes the payroll processing and leave accounting functions, the agencies continue to have management autonomy over these areas, as the Bureau processes transactions and performs these functions as directed by the agency through approvals and certification review from agency human resource and fiscal staff. By participating with the Bureau, agencies benefit from the continued coverage and adequate resources the Bureau provides over the critical payroll and benefits functions, along with realizing an advantage of the Bureau's centralized approach and sound structure of internal controls and compliance with state and federal laws and regulations specifically focused on the areas of payroll, benefits, and leave accounting.

The Bureau's payroll processing function primarily consists of processing semi-monthly payroll transactions for both salaried and wage employees of the participating agencies, along with calculating benefit transactions for the Virginia Sickness and Disability Program and preparation of all payroll-related certifications. The Bureau provides the service of leave accounting for those participating agencies using the leave accounting function of the Commonwealth's payroll system. The Bureau's leave accounting function consists of leave data entry, review and audit of leave information, and preparation of the annual leave liability attachment required by the Department of Account's financial reporting directives. Additionally, the Bureau performs multiple monthly and quarterly payroll and benefits reconciliations and information returns on behalf of the participating agencies.

Table 2 on the next page shows total personnel expense for each participating agency during fiscal years 2015 and 2016, along with payment statistics for the average number of salaried and wage employees at each participating agency for which the Bureau performed payroll processing during the fiscal years 2015 and 2016.

# Fiscal Years 2015 and 2016 Total Personnel Expense and Employee Statistics

Table 2

Participating Agency	FY2015 Personnel Expense	FY2016 Personnel Expense	Average Number of Salaried Employees Paid	Average Number of Wage Employees Paid
Compensation Board	\$ 3,066,333	\$ 3,354,897	16	-
Department of General Services	46,481,204	47,567,904	603	11
Department of Human Resource Management	9,544,500	10,412,936	95	18
Department of Elections	2,310,576	2,341,049	27	2
Department of Forestry	17,121,606	17,587,439	232	91
Department of Agriculture and Consumer Services <sup>1</sup>	35,409,206	-	441	89
Board of Accountancy	901,488	999,185	11	-
Department of Housing and Community Development	8,192,938	8,311,924	91	5
Department of Labor and Industry	10,892,448	11,294,429	146	9
Department of Mines, Minerals and Energy	17,865,776	18,190,114	196	1
Department of Professional and Occupational Regulation	14,457,631	14,714,086	171	22
Tobacco Region Revitalization Commission	1,119,130	1,272,497	13	-
Virginia Racing Commission	535,469	433,229	4	4
Department of Small Business and Supplier Diversity	3,103,321	2,953,080	35	3
Department of Education (Central Office)	25,945,960	28,611,894	263	49
Frontier Culture Museum of Virginia	1,624,364	1,754,589	32	29
Gunston Hall	430,062	450,253	4	15
Jamestown-Yorktown Foundation	10,689,527	11,031,897	136	219
The Library of Virginia	9,190,475	9,202,626	122	16
Richard Bland College <sup>2</sup>	-	9,997,318	114	98
The Science Museum of Virginia	5,071,447	5,272,341	61	55
Southern Virginia Higher Education Center	2,656,782	3,020,587	34	11
State Council of Higher Education for Virginia	3,997,911	4,471,999	42	10
New College Institute	1,143,724	990,916	12	5
Virginia Commission for the Arts	416,587	417,838	5	1
Virginia Museum of Fine Arts	18,163,229	18,999,252	196	332
Virginia School for the Deaf and the Blind - Staunton	9,095,216	8,988,367	152	41
Department of Taxation	63,318,960	66,255,663	816	78
Department of Behavioral Health and Developmental Services	30,334,019	33,598,673	348	15
Department of Health Professions	18,529,445	19,126,992	207	33
Department of Medical Assistance Services	37,823,167	41,243,481	398	84
Office of Children's Services <sup>2</sup>	-	1,191,393	10	1
Department of Social Services <sup>2</sup>	-	137,919,738	1,681	81

Participating Agency	FY2015 Personnel Expense	FY2016 Personnel Expense	Average Number of Salaried Employees Paid	Average Number of Wage Employees Paid
Department of Conservation and Recreation	38,245,457	41,301,084	408	770
Department of Historic Resources	3,166,099	3,483,763	40	6
Department of Environmental Quality	69,162,618	71,642,884	788	52
Marine Resources Commission	10,583,773	10,848,951	149	1
Virginia Museum of Natural History	2,415,557	2,563,901	38	16
Department of Game and Inland Fisheries	34,765,839	34,851,168	416	73
Commonwealth's Attorneys' Services Council	613,818	667,910	6	2
Department of Criminal Justice Services	8,568,504	8,820,828	99	16
Department of Emergency Management	10,045,922	10,278,525	112	29
Department of Fire Programs	6,768,977	6,870,230	66	147
Department of Forensic Science	27,258,721	28,193,328	275	12
Department of Military Affairs	19,290,274	21,308,331	291	189
Department of State Police	228,899,301	239,941,556	2,718	96
Virginia Information Technologies Agency	30,858,637	29,814,695	214	11
Department of Aviation	3,237,088	3,472,533	33	5
Department of Motor Vehicles	126,672,144	133,817,703	1,868	331
Motor Vehicle Dealer Board	1,686,656	1,981,112	24	5
Department of Rail and Public Transportation	5,064,806	5,373,103	47	3
Department of Veterans Services <sup>3</sup>	7,268,757	9,513,135	136	26
Sitter-Barfoot Veterans Care Center <sup>3</sup>	15,041,919	18,284,397	243	66
Virginia Veterans Care Center <sup>3</sup>	12,904,688	13,506,009	244	55
Office of the Attorney General <sup>2</sup>	-	39,736,362	396	3
Office of the Attorney General-Division of Debt Collection <sup>2</sup>	-	2,279,780	21	1
Office of State Inspector General	3,316,351	3,788,015	34	-
Virginia Board of Bar Examiners	1,111,876	1,180,833	9	2
Virginia Indigent Defense Commission	41,627,645	42,970,768	544	5
Commission on the Virginia Alcohol Safety Action Program	749,048	773,783	9	1
Auditor of Public Accounts	10,466,842	11,049,229	116	2

Sources: The Commonwealth's accounting and financial reporting system (major object code 11) and Payroll Service Bureau records

<sup>1</sup> Agency ceased participation with the Bureau during the fiscal year 2015. Personnel expense represents the entire fiscal year.

<sup>2</sup> Agencies began participation with the Bureau during the fiscal year 2016. Personnel expense represents the entire fiscal year.

<sup>3</sup> Agencies ceased participation with the Bureau during the fiscal year 2016. Personnel expense represents the entire fiscal year.





Martha S. Mavredes, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

January 30, 2017

The Honorable Terence R. McAuliffe  
Governor of Virginia

The Honorable Robert D. Orrock, Sr.  
Chairman, Joint Legislative Audit  
and Review Commission

We have audited the payroll and benefits transactions and leave accounting records and operations of the **Payroll Service Bureau** for the period July 1, 2014, through June 30, 2016. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **Audit Objectives**

Our audit's primary objectives were to evaluate the accuracy of payroll transactions, leave accounting, and benefits transactions recorded in the Commonwealth's payroll system, review the adequacy of the Bureau's internal controls, and test compliance with applicable laws and regulations.

## **Audit Scope and Methodology**

The Bureau's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant activities and services provided by the Bureau.

- Processing of payroll and benefits transactions
- Leave accounting and leave liability reporting
- Payroll certifications
- Payroll and benefits reconciliations

We performed audit tests to determine whether the Bureau's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Bureau's operations. We performed analytical procedures, including budgetary and trend analyses. We also tested details of transactions to achieve our objectives.

A non-statistical sampling approach was used. Our samples were designed to support conclusions about our audit objectives. An appropriate sampling methodology was used to ensure the samples selected were representative of the population and provided sufficient, appropriate evidence. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

### **Conclusions**

We found that the Bureau properly stated, in all material respects, the payroll and benefits transaction amounts and leave accounting recorded and reported in the Commonwealth's payroll system. The payroll expense and statistics information presented in this report came directly from the Commonwealth's accounting and financial reporting system and the Payroll Service Bureau's records.

We noted no matters involving internal control and its operation that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **Exit Conference and Report Distribution**

We discussed this report with management on April 6, 2017.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

RNR/clj

## **PAYROLL SERVICE BUREAU**

As of June 30, 2016

### **AGENCY OFFICIALS**

David A. Von Moll  
State Comptroller

Jean S. Turlington  
Director