

PROJECT CODE
I110-11

OFFICE OF MANAGEMENT AND BUDGET
CONNECTND HUMAN RESOURCE
MANAGEMENT SYSTEM (HRMS)

Information System Audit

For Fiscal Year ended June 30, 2011

ROBERT R. PETERSON
STATE AUDITOR

Office of the State Auditor
Division of State Audit

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TABLE OF CONTENTS

Transmittal Letter	1
Executive Summary	2
Significant Recommendations	2
Background Information	3
Financial Summary	3
Objectives, Scope, and Methodology	4
Are security roles designed to provide access based on a demonstrated need to view, add, change, or delete data?	5
Summary of Audit Work Performed	5
Audit Finding	5
Default accounts not locked out	5
Auditor's Opinion.....	5
Is the job classification system enforced and managed by ConnectND HRMS?	6
Summary of Audit Work Performed	6
Audit Finding	6
Employees are not always paid within their range	6
Auditor's Opinion.....	6
Are payroll withholdings and deductions handled timely and accurately?	7
Summary of Audit Work Performed	7
Auditor's Opinion.....	7
Are leave balances maintained correctly in the system?	8
Summary of Audit Work Performed	8
Auditor's Opinion.....	8

TRANSMITTAL LETTER

January 10, 2012

The Honorable Jack Dalrymple, Governor
Members of the North Dakota Legislative Assembly
Pam Sharp, Director, Office of Management and Budget
Laura Glatt, Vice Chancellor for Administrative Affairs, North Dakota University System

Transmitted herewith is the information system audit of the ConnectND Human Resource Management System (HRMS) for the fiscal year ended June 30, 2011. This audit resulted from the statutory responsibility of the State Auditor under NDCC § 54-10-01.

ConnectND HRMS is used to maintain and process payroll records for employees of the state of North Dakota and the North Dakota University System.

ConnectND HRMS was selected for this audit because it is considered a high-risk information system. ConnectND HRMS is considered a high-risk information system because it is the payroll system used by the majority of state agencies, and by institutions of the North Dakota University System. "High-risk" does not necessarily indicate problems with the system, but indicates a higher potential for significant problems to occur.

Inquiries or comments relating to this audit may be directed to Donald LaFleur, Information Systems Audit Manager, by calling (701) 328-4744. We wish to express our appreciation to the Office of Management and Budget, the Information Technology Department, and the North Dakota University System for the courtesy, cooperation, and assistance provided to us during this audit.

Respectfully submitted,



Robert R. Peterson
State Auditor

EXECUTIVE SUMMARY

The purpose of this report is to provide our analysis, findings, and recommendations regarding our audit of the ConnectND Human Resource Management System (HRMS). This audit was primarily an information system audit; however, we also addressed operational issues related to the system and its operation within the state of North Dakota and the North Dakota University System (NDUS).

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Significant Recommendations

We reviewed the security of ConnectND HRMS. We had the following findings:

- There were default accounts that were not locked out.

We reviewed management and enforcement of the pay grade system in ConnectND HRMS. We had the following findings:

- There were employees who were paid outside their pay grade range.

BACKGROUND INFORMATION

System Overview

ConnectND is the state's PeopleSoft implementation of Financial, Human Capital Management (HR), and Portal applications. The state of North Dakota and North Dakota University System (NDUS) jointly share the HR system. Base HR is used for payroll, absence management, and employee self-service. Other modules include the Enterprise Learning Management, Talent Management which should be placed in production in April 2012, and implementation begins in spring 2012 for Recruiting Solution.

Financial Summary

Indicated below is a summary of amounts processed on ConnectND HRMS for the fiscal year ended June 30, 2011.

State HRMS		University System HRMS	
Salaries	398,754,357	Salaries	384,904,617
Fringe Benefits	139,500,408	Fringe Benefits	135,259,448
Total	538,254,765	Grand Total	520,164,065

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of this audit of ConnectND HRMS for the fiscal year ended June 30, 2011 was to answer the following questions:

1. Are security roles designed to provide access based on a demonstrated need to view, add, change, or delete data?
2. Is the pay classification system enforced and managed by ConnectND HRMS?
3. Are payroll withholdings and deductions handled timely and accurately?
4. Are leave balances maintained correctly in the system?

This audit was conducted in accordance with *Standards for Information Systems Auditing* issued by the Information Systems Audit and Control Association and *Government Auditing Standards* issued by the Comptroller General of the United States.

ARE SECURITY ROLES DESIGNED TO PROVIDE ACCESS BASED ON A DEMONSTRATED NEED TO VIEW, ADD, CHANGE, OR DELETE DATA?

Summary of Audit Work Performed

We obtained and reviewed a list of the ConnectND HRMS roles and their access rights. We reviewed these roles to ensure the access they provided was consistent with their stated purpose. We reviewed default accounts to ensure they were being locked in a timely manner. We reviewed policies and procedures for adding, changing, and deleting user access. We tested superuser accounts to determine if the access was necessary and appropriate.

Audit Finding

Default accounts not locked out

In reviewing default accounts on ConnectND HRMS, we noted accounts that still had access. Default accounts should be removed or disabled to minimize security risk to the system. While the Information Technology Department has procedures for removing/disabling default accounts, they were unaware that new default accounts had been added.

Recommendation:

We recommend the Information Technology Department put procedures in place to ensure all default accounts are locked in a timely manner when updating ConnectND HRMS.

Agency Response:

ITD agrees with the recommendation and has implemented enhanced review processes to ensure that all ConnectND default accounts are locked or disabled when upgrading ConnectND systems.

Auditor's Opinion

In our opinion, security roles provide access based on a demonstrated need to view, add, change, or delete data.

IS THE JOB CLASSIFICATION SYSTEM ENFORCED AND MANAGED BY CONNECTND HRMS?

Summary of Audit Work Performed

We reviewed ConnectND HRMS to see if it enforces the job classifications. We compared employees' monthly pay to the job classification to determine that they were properly paid within that range.

Audit Finding

Employees are not always paid within their range

ConnectND HRMS does not enforce job classifications and in reviewing salaries we noted that some employees are being underpaid or overpaid based on their job classification. The Office of Management and Budget is responsible for creating and monitoring a classification system for employee pay. We found Human Resource Management Services was unaware of the two employees paid below their classification until we brought it to their attention.

Recommendation:

We recommend the Human Resource Management Services implement procedures for monitoring the classification system.

Agency Response:

Auditors identified 68 employees paid outside the salary range of their assigned position. After verifying information with agencies, 66 of those instances were authorized exceptions (administrative rule or statutory) or instances where an employee transaction occurred before classification processing paperwork was fully completed. The two employees paid below the range identified by the auditors were errors in assigning the salary by agencies; one was \$1 per month below the assigned range and the other was \$9 per month below the assigned range.

HRMS maintains a monthly report from the hr/payroll system. Where unusual rates are found, agencies are asked to provide explanations. At least annually, HRMS closely checks one of the monthly reports in more detail in preparation for responding to the National Compensation Association of State Governments (NCASG) salary survey.

In response to the audit recommendation, HRMS is considering options for closer monitoring:

- 1. A monthly report of new salaries outside the range,*
- 2. Workflow notification to HRMS when a new salary level is outside the salary range for a position, or*
- 3. Implement a system edit to prevent input of a salary outside the range by anyone other than HRMS or OMB Payroll staff*

HRMS is reviewing programming options and cost estimates for the above options to determine the best approach to more closely monitor salaries which may be outside the salary range.

Auditor's Opinion

In our opinion, the pay classification system is not always properly enforced and managed.

ARE PAYROLL WITHHOLDINGS AND DEDUCTIONS HANDLED TIMELY AND ACCURATELY?

Summary of Audit Work Performed

We reviewed that updates to the tax tables had been applied to the system properly. We also verified that payroll deductions and withholdings were being remitted timely and accurately.

Auditor's Opinion

In our opinion, payroll withholdings and deductions are handled timely and accurately.

ARE LEAVE BALANCES MAINTAINED CORRECTLY IN THE SYSTEM?

Summary of Audit Work Performed

We reviewed leave balances to verify the system was correctly updating the annual leave balances so no more than two hundred and forty hours may be carried forward beyond April 30 of each year. We reviewed leave balances as of May 30, 2011 and found no employees with greater than two hundred and forty hours carried over.

Auditor's Opinion

In our opinion, leave balances are properly maintained by the system.

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