
State of Washington

Agencies: 105, 107, 179, 300

Audit Report: 2013 F

Finding Number: 001

Finding: State's internal controls over payroll payments processed by Human Resources Management System and Medicaid payments processed by ProviderOne are inadequate to ensure those payments are properly processed and recorded.

Resolution: **Human Resource Management System (HRMS) Controls**
The Department of Enterprise Services and the Office of Financial Management (OFM) in partnership with the Personnel Payroll Association (PPA) Executive Committee are currently analyzing options to incorporate additional controls in HRMS to help prevent state employees from receiving unreasonable payroll payments due to incorrect input. The state's analysis has or will include the following:

As of June 30, 2014:

- Evaluated the current preventative control that halts processing of an individual's gross pay if it is over \$25,000, to determine if the threshold should be reduced. OFM met with a cross section of agencies on May 29, 2014, to evaluate the current preventative control. The decision was to leave the \$25,000 threshold in place. Agencies have the ability to use existing HRMS reports to check for payments that exceed more restrictive dollar limits determined by the agency.

By June 30, 2015:

- Evaluate the addition of HRMS system warnings to control input of data to prevent payments to individuals that exceed a reasonable amount. Potential controls include restricting the number of hours allowed to be entered in the system based on the employees scheduled hours (or not to exceed 24 hours in one day), warnings when hours are being entered that do not meet certain criteria, and warnings for excessive hourly rates.
- Analyze existing exception reports to determine if additional warnings should be included.

HRMS System Security

The Department of Enterprise Services modified an internal control process which provided for additional segregation of duties. This change ensures that no individual has access to make changes in programs and promote them into production without review or approval from a second individual. This modification was completed on December 1, 2013.

HRMS Disaster Recovery

In October 2013, the Department of Enterprise Services upgraded and virtualized the HRMS platform. This upgrade made the environment more robust, scalable, supportable, and easier to recover in an event of a disaster.

The Department of Enterprise Services is in the process of implementing and testing a Disaster Recovery and Business Resumption plan commensurate with the upgrade to a virtualized environment. Staff training on procedures to follow in case of an emergency is also planned.

Department of Social and Health Service Payroll Processing Controls

The Department has developed and implemented several corrective actions in response to this finding.

In April 2013, the Department implemented the use of a threshold report that is used to identify payroll payments exceeding \$5,000 on a single payday. This allows staff to screen for and prevent inappropriate payroll payments from being made.

In November 2013, the Department took several corrective actions to better monitor and process payroll payments including:

- Expanding Leave Tracker (the Department's time and leave reporting tool) to Department facilities.
- Posting instructions to the Department's Financial Services Administration website to clarify the use of the Preemptive Payroll Journal (S4259) which can assist staff in determining the accuracy of payroll.
- Providing training to staff in time and attendance procedures and Leave Tracker.
- Using Lean management tools to document and improve payroll processes.

ProviderOne:

The Health Care Authority disagrees with this finding. The Authority does not agree that ProviderOne security reviews are lacking or that lack of controls and monitoring in the contract introduce a significant system security review deficiency. While neither expected nor required by the federal government for any Medicaid payment system, to strengthen the Authority's ability to monitor vendor controls, the Authority added a requirement for external audit to the ProviderOne vendor contract in January 2013. This includes security reviews of servers and production databases to provide additional assurance that effective controls are in place. Under the new requirement, the ProviderOne vendor is required to undergo biennial Service Organization Control (SOC) examinations and obtain reports from subcontractors. The satisfaction of this SOC examination requirement occurred in multiple phases.

The following milestones of this SOC examination were completed and the ProviderOne vendor has met all contractual obligations:

- On March 31, 2013, the ProviderOne vendor provided the Authority the required examination reports from subcontractors.
- On December 31, 2013, the ProviderOne vendor completed documentation for the controls and delivered results to the Authority.
- The final phase of this audit was completed in the first quarter of 2014.

The Authority has ensured and continues to ensure that the appropriate safeguards and effective controls are in place to protect Medicaid program integrity and data security.

Status of Audit Resolution

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