

# Agency SEMA4 HR Transaction Audit Guide

**Objective:** Help state agencies to establish and implement effective internal audit processes to review SEMA4 HR transactions.

Three key steps  
are addressed  
in this guide →

**Step 1: Establish an internal audit process**  
**Step 2: Assess potential risks related to transactions**  
**Step 3: Document the audit reviews**

## Step 1: Establish an internal audit process

There is no “one size fits all” audit process, because each state agency’s variety, volume and complexity of HR transactions is unique. Agencies may select one or more auditors to design, document and implement an internal audit process that best fits the agency’s needs.

### Standards

Each agency’s audit process should meet five basic standards. It should be:

1. designed to catch errors involving high-risk transactions;
2. structured to review verification of approvals and documentation for each transaction being audited;
3. timed to identify any errors before the end of the pay period to minimize adverse effects related to employees’ pay, insurance or retirement;
4. documented in writing, with the steps outlined; and
5. implemented by knowledgeable auditor(s) who meet certain guidelines (*see Auditors section below*).

### Considerations

This is a starting point for information to include in the audit process:

- a list of information to be reviewed;
- the data or errors that are being monitored;
- when and how often audit reviews will be conducted; and
- what actions or corrective measures will be taken when errors occur.

### Auditors

Each individual assigned to audit HR transactions must:

- have access to the appropriate data in SEMA4;
- have security access to the IA Data Warehouse;

- have thorough knowledge of SEMA4 pages and fields;
- be sufficiently knowledgeable of state and agency HR practices and policies to accurately identify transactional errors;
- understand the authorization workflow within the agency well enough to verify that the transaction was appropriately approved;
- be able to assess the accuracy of HR transactions;
- understand how HR transactions relate to other job records, employee benefits, etc.; and
- understand the implications of HR transaction errors for potential agency risks.

## Step 2: Assess potential risks related to transactions

After one or more individuals have been selected to audit HR transactions, each agency should conduct an internal risk assessment to identify transactions that represent potential risks for the agency.

**DEFINITION:** A **risk** is any event that could interfere with management’s ability to achieve the organization’s goals and objectives.

State agencies face risks in any business function, process or activity. Examples of HR transactional business risks include:

- unauthorized changes to payroll
- data errors or omissions
- misunderstood processes or policies related to employees’ pay and/or benefits

An effective risk assessment process will identify and analyze relevant risks in order to achieve desired objectives. A good risk assessment process includes these three steps:

1. Identify internal and external risks;
2. Assess the impact and the likelihood that these risks might occur; and
3. Decide whether to avoid, reduce, share, or accept various risks.

Agencies may not need to audit all transactions in situations where appropriate checks and balances already exist. However, MMB has determined that high risk transactions typically involve:

Transaction type	Why is this transaction high-risk?
Use of <b>Correction Mode</b>	By using correction mode, a user can change or delete existing data. Correction mode can be used safely in certain circumstances, but can have a detrimental effect to an employee’s pay and benefits when used without giving consideration to all of the impacts of the change.
Any transaction that <b>changes an employee’s rate of pay</b>	Pay rate changes affect an employee’s pay check. Correcting overpayments and underpayments is time-consuming and difficult to explain to employees, particularly when they have been overpaid.

Transaction type	Why is this transaction high-risk?
Any <b>appointment of a new or rehired employee</b>	New hires or rehire appointments often establish the employee’s benefit sets and rate of pay. It’s important to catch errors in the initial set-up of these transactions early to minimize their effects on the employee, and to the agency’s time and budget. Also, adding employees to payroll can introduce risk unless the agency has an effective recordkeeping and authorization process to make sure that only legitimate employees are added to the payroll.
<b>All appointment types:</b> promotion, demotion, transfer, movement	Adding an appointment for an employee can establish or change the employee’s benefit set and rate of pay. Errors in the initial set-up of those transactions should be caught early to minimize repercussions for the employee and to the agency’s time and budget.
Any <b>layoff</b> transaction	Layoff transactions can result in benefit errors if (1) the wrong reason code is used, or (2) if a concurrent record is needed, but one is not created.
Any <b>paid or unpaid leave</b> transaction	Leave transactions can cause benefit errors if (1) the wrong reason code is used, or (2) a concurrent record is needed, but one is not created.
Any <b>separation</b> transaction	Separation transactions set up the criteria for the employee’s last and final payoffs. If the payoff is not processed correctly, or it is discovered that the employee was not eligible for the payoff, it becomes difficult to correct and collect once payment has been made to the employee. Also, use of the wrong reason code can impact benefits.
Any <b>retirement</b> transaction	Retirement transactions set up the criteria for the employee’s benefits and final payoffs. If the payoff is not processed correctly, or it is discovered that the employee was not eligible for the payoff, it becomes difficult to correct and collect once payment has been made to the employee. Also, use of the wrong reason code can impact benefits.
All changes that are the result of a <b>grievance or settlement</b>	Grievances or settlements often result in a change to a transaction, create a payment or adjust leave balances. The terms of the settlement must be carefully interpreted to be sure that payments and balance adjustments are calculated correctly. If not, an incorrect payment may be very difficult to explain and to correct. In addition, changes to an employee’s job data should be made to ensure that the outcome of the language in the settlement or grievance is reflected in the transaction. If processed incorrectly, the information can put the agency at risk.

### Step 3: Document the audit reviews

Auditing within an agency begins once the agency has established its audit process, identified who the auditor(s) will be, and assessed the agency’s risks. The auditor(s) should document:

- when the audit review was conducted;
- what specific transactions or information was reviewed;
- what data or error was being monitored, and any audit results; and
- what actions or corrective measures were taken if there was an error.

Finally, each agency needs to keep any documentation related to the data review and any notes, exceptions, or follow-up actions that occurred because of the review. This information, when created, will become an important part of the transaction audit review conducted by MMB.