

**TOWN OF ERIE
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2019**

Finding 2019-001 Segregation of Duties

Significant Deficiency

Criteria: Adequate segregation of duties is critical to an effective internal control environment.

Condition: We noted a lack of segregation of duties over certain accounting and financial reporting functions. The Deputy Finance Director has the ability to record payroll transactions as well as reconcile employee payroll records.

Cause: The Town's existing staffing structure, job assignments, and policies and procedures do not provide for adequate segregation of duties.

Effect: The Town's payroll process is susceptible to errors surrounding employee payroll records due to one individual having the ability to record payroll transactions as well as reconciling payroll records.

Recommendation:

We recommend management review the existing internal controls over accounting and financial reporting and consider job assignments of Finance Department personnel to ensure adequate segregation of duties.

Views of responsible officials and planned corrective actions:

Management concurs with the above finding. A reorganization approved by the Board last October, which resulted in 2 additional staff and realignment of responsibilities, will allow for significant improvements in controls. The two new positions were filled in April and May of 2020. These staff additions will also facilitate expanded use of the control and reporting features in the Paycom HR/Payroll system which was implemented in late 2018. These changes should significantly reduce the risks related to the lack of segregation of duties.