



Workday: Payroll Calculations



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Workday: Payroll Calculations AUDIT REPORT SUMMARY

Objective

This audit was conducted to determine if payroll calculations were accurate and reliable.

Background

Workday is a cloud-based ERP solution selected by the City to replace current processes and applications that manage the human resources, finance, budget, and procurement functions.

The human resources function is comprised of several units including human resource management (managing employee data and professional development), payroll, time tracking, benefits administration, and recruiting. This audit focused on the payroll, time tracking, and benefits administration units in the human resources function.

The Internal Audit department will continue to assess the risks related to the remaining Workday functions and will determine which functions and their related units should be reviewed.

Conclusion

Workday payroll calculations (hours, gross pay, and deductions) were accurate and reliable.

Auditor's payroll testing did not identify any exceptions.

Auditors statistically sampled:

- Automated payroll processes to determine if integrations occurred between third party systems and Workday
- Paychecks to determine if hours, gross pay, and deductions were calculated correctly
- Remittances of deductions from employees to third party vendors for accuracy



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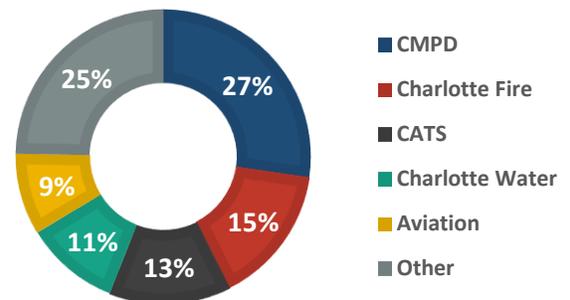
Background

Workday is a cloud-based enterprise resource planning (ERP) software solution selected by the City to replace current processes and applications that manage the human resources, finance, budget, and procurement functions. The human resources function is made up of several units including human resource management (managing employee data and professional development), payroll, time tracking, benefits administration, and recruiting. Beginning in October 2024, the City switched from PeopleSoft to Workday for the City’s human resources function. This audit focused on the payroll, time tracking, and benefits administration units in the human resources function. These units include:

- recording employee time directly
- importing time from other timekeeping systems
- approving employee time
- calculating employee wages and deductions
- paying employees
- remitting deductions to related third party vendors

The City of Charlotte has approximately 8,900 employees with the Human Resources department responsible for managing payroll. In FY 2025, the City of Charlotte paid \$1.14 billion in employee compensation and benefits, averaging \$21.9 million per week. Each week, employees enter their time and leave, then are paid for that time the following week. Time and leave are either entered directly into Workday, or into one of two other timekeeping systems and automatically imported into Workday.

PERSONNEL EXPENSES



Audit Results

Testing of automated control processes did not identify any exceptions. As summarized below, auditors performed statistical sampling of employee paychecks to assess whether hours worked, gross pay, and deductions were calculated accurately - no exceptions were noted. Additionally, auditors statistically sampled remittances of employee deductions to third-party vendors and identified no exceptions. The results of these procedures are considered representative of the related populations.

Category	Test Items	Amount Tested	Test Result	Test Population	Results Projectable?
Calculation of Gross Pay	132	\$221,903	☑	\$29,056,797	☑
Calculation of Deductions	132	\$56,223	☑	\$7,623,286	☑
Remittances of Deductions	144	\$14,198	☑	4,026,862	☑

Conclusion

Workday payroll calculations (hours, gross pay, and deductions) were accurate and reliable.

Distribution of Report

This report is intended for the use of the City Manager’s Office, City Council, and Human Resources. Following issuance, audit reports are sent to City Council and subsequently posted to the [Internal Audit website](#).

Scope, Methodology, and Compliance

Scope

This audit was conducted to determine if payroll calculations were accurate and reliable during the period January 1, 2025 through March 31, 2025.

Regarding our ongoing audits of the Workday conversion, Internal Audit will prioritize reviews by assessing Workday functional units in one or more of five scope areas (shown below) using a risk-based approach. The scope of this audit included Data Integrity and Business Processes & System Configuration within the payroll, time tracking, and benefits administration units of HR.



Methodology

To achieve the audit objectives, auditors performed the following:

- Interviewed HR personnel
- Statistically sampled 66 employees from a universe of 8,900 over two pay periods and performed tests of controls on automated processes. These results can be projected onto their respective populations.
- Statistically sampled 66 employees from a universe of 8,900 and performed substantive tests:
 - Recalculating hours, gross pay, and benefits deductions. These results can be projected onto their respective populations.
 - To determine if benefit withholdings were properly remitted. These results can be projected onto their respective populations.

We assessed the reliability of Workday data by (1) performing electronic testing, (2) reviewing existing information about the data and the system that produced them, and (3) interviewing agency officials knowledgeable about the data. We determined that this data was sufficiently reliable for the purposes of this audit. Any audit results from a statistical sample can be projected to the entire population.

Compliance

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.

Government auditing standards require that we determine which internal controls are material to the audit objective(s) and obtain an understanding of those controls. To evaluate internal controls, the City Auditor's Office follows the Committee of Sponsoring Organizations of the Treadway Commission's Internal Control – Integrated Framework (COSO Framework) as included in Standards for Internal Control in the Federal Government (GAO Green Book).

In planning and performing the audit, auditors obtained an understanding of the processes used and the associated internal controls, assessed the internal control risks, and determined the following internal control components were significant:

- **Control Environment** – The set of standards, processes, and structures that provide the basis for carrying out internal control across the organization.
- **Control Activities** – The actions management establishes through policies and procedures to achieve objectives and respond to risks.

For additional information regarding internal control components and the related principles of internal control, please see [Appendix A](#).

Appendix A

The Five Components and 17 Principles of Internal Control

Control Environment

1. The oversight body and management should demonstrate a commitment to integrity and ethical values.
2. The oversight body should oversee the entity's internal control system.
3. Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.
4. Management should demonstrate a commitment to recruit, develop, and retain competent individuals.
5. Management should evaluate performance and hold individuals accountable for their internal control responsibilities.

Risk Assessment

6. Management should define objectives clearly to enable the identification of risks and define risk tolerances.
7. Management should identify, analyze, and respond to risks related to achieving the defined objectives.
8. Management should consider the potential for fraud when identifying, analyzing, and responding to risks.
9. Management should identify, analyze, and respond to significant changes that could impact the internal control system.

Control Activities

10. Management should design control activities to achieve objectives and respond to risks.
11. Management should design the entity's information system and related control activities to achieve objectives and respond to risks.
12. Management should implement control activities through policies.

Information & Communication

13. Management should use quality information to achieve the entity's objectives.
14. Management should internally communicate the necessary quality information to achieve the entity's objectives.
15. Management should externally communicate the necessary quality information to achieve the entity's objectives.

Monitoring

16. Management should establish and operate a monitoring mechanism that monitors both internal and external activities that impact the control system and evaluate the results.
17. Management should remediate identified internal control deficiencies on a timely basis.