

Payroll Audit Report

Catherine Smith, M.D.

Objective:	Our audit objective is to test the amounts paid Dr. Smith against the supporting documentation and the terms of the Agreement.						
Purpose:	In accordance with Policy # 1.23.456 (Monitoring of Remuneration Paid to Employed Referral Sources), audits are performed on a periodic basis to test whether payments made to employed physicians are paid in accordance to the terms of the Agreement.						
Scope-Executive Summary:	The scope of this audit includes a review of contract #123.456 and contract #123.789 for the time period of November 27, 2014 through June 30, 2015. The total compensation paid through Lawson Payroll during this time period was \$41,968.38. Executive Summary: Remuneration discordance totals a net \$134.82 underpayment.						
Background:	There are two Agreements within the scope of this audit. The Resident Employment Agreement was effective on July 1, 2014 and expired on June 30, 2015. An Employment Agreement to perform professional services was executed on November 27, 2014. Dr. Smith has not performed services for the Hospital since July 1, 2015.						
Procedures:	Procedures included testing of the Lawson Payroll data against the terms of the Agreement.						
Contract Number:	123.456	Compensation Model:	1. \$70.00 / hour worked on Weekdays 2. \$80.00 / hour worked on Weekends. 3. \$90.00/ hour worked on Holidays.	Contract Number:	123.789	Compensation Model:	Salary at \$2,001.73 biweekly.
Contract Effective Date:	11/27/2014	Annual Cap:	None	Contract Effective Date:	7/1/2014	Annual Cap:	\$52,045.00

Tests	Description	Findings	Details	Dollar Impact	Recommendations	Action Plan/ Response
I. Remuneration Tests						
1. Reconciled time reported to Payroll data	Test compensation paid via Lawson is consistent with the timekeeping documentation which was hand calendars and written sign-in sheets.	Compensation was paid on several dates where the hours recorded in the calendars and sign-in sheets do not match the data entered into the Lawson timekeeping system, which resulted in payment errors.	1. On 4/03/2015 services were provided by Dr. North. The Manager inadvertently entered 3 hours of time into Dr. Smith's time record instead of Dr. North's. Lawson Report Express data indicates Dr. Smith was paid 3 hours and Dr. North was not paid. Effect=\$240.00 overpayment to Dr. Smith. 2. The format of the sign in sheets was inconsistent, not easy to review, which may be a causation of the data entry error.	\$240.00 Overpayment	1. Management should develop a control process to re-verify that timekeeping entries are accurate. It is recommended that the second level approver or data entry approver sign off on each sign-in sheet and payroll submission. 2. Management should update the format of the sign-in sheets to clearly indicate the site of service and the duration of the service provided or Management should consider using a punch-in clock to track physician time. 3. Management should educate staff performing Payroll functions and residents on appropriate Payroll procedures. 4. Management should assign the appropriate job code for Payroll purposes to the services performed. 5. Management should consult with Payroll in an effort to update the payment process to more accurately reflect the terms of the agreement. 6. Management should develop a policy to be notified when a physician changes shifts. 7. Management should submit an action plan by 1/4/2013.	1. Management will explore options to have residents punch in to record time. 2. Management will collaborate with the appropriate departments to assign additional job codes to the residents to limit manual Payroll entry to a single adjustment. 3. Management will develop new policies and procedures regarding the payments to residents. 4. Management will educate residents and timekeeping approvers on appropriate Payroll procedures regarding shift exchanges and/or develop a policy where all shift exchanges require management approval. 5. Management will collaborate with the appropriate departments to assign additional levels of Payroll approval. 6. Management will explore options to automate the Payroll process through Payroll Processing System.
2. Reconciled Payroll data to terms of Agreement.	Test that the compensation rate paid is consistent with the terms of the Agreement.	The hourly rate applied on several occasions was not consistent with the hourly rate in the Agreement. This was due to a clerical error in selecting the incorrect job code in the Payroll System.	The Physician was underpaid because the resident job code was applied. This rate is less than the hourly rate for the professional services provided under the Agreement. Report Express data was used to verify this underpayment. See below. In addition the physician was paid the \$80.00 rate on 4/29/2015, a Wednesday, vs. the \$70 rate specified in the Agreement.	\$30.00 Overpayment		
3. Verify that the codes in Report Express correspond to the paid rate.	Test that the compensation assigned to a pay code is the code paid via Lawson. This test traced an individual payment through the Payroll System from Report Express to the Paystub.	Dr. Smith was underpaid for services performed during the pay period ending 12/21/2014.	A Report Express Report from 12/26/2014 showed that the resident job code (\$25.02/ hour rate) was used for the services provided in the Agreement under audit, rather than the appropriate rate as stated in the Agreement.	\$404.82 Underpayment		
			Net Audit Result	\$134.82 Underpayment		

Prepared By: _____

Date: _____