Internal Audit Committee of Brevard County, Florida

Internal Audit Review of Human Resources

Prepared By:
Internal Auditors of Brevard County
June 12, 2009

Table of Contents

Transmittal Letter 1

Executive Summary ..... 2 - 3

Background ..... 4 - 7

Objectives and Approach ..... 8 - 9

Issues Matrix ..... 10 - 24

June 12, 2009

The Audit Committee of
Brevard County, Florida
Viera, Florida 32940-6699

Pursuant to the approved 2008/2009 internal audit plan, we hereby submit our internal audit report covering the Human Resources Department. We will be presenting this report to the Audit Committee at the next scheduled meeting on June 24, 2009.

Our report is organized in the following sections:

Executive Summary	This provides a summary of the issues related to our internal audit of the Human Resources Department.
Background	This provides an overview of the Human Resources Department.
Objectives and Approach	The internal audit objectives and focus are expanded upon in this section as well as a review of the various phases of our approach.
Issues Matrix	This section gives a description of the issues and recommended action as well as Managements' responses.

We would like to thank the various departments and all those involved in assisting the Internal Auditors in connection with the review of the Human Resources Department.

Respectfully Submitted,

INTERNAL AUDITORS

Executive Summary

Executive Summary

The Human Resources Department operations can be effectively segregated into the following three primary components:

- Personnel Administration (Personnel Technical Services) – responsible for maintenance of personnel records, recruitment, the new hire processing, the County's Pay and Classification Plan, and certain employee development functions.
- Insurance – responsible for administration of employee benefits (health & wellness and retirement) and risk management (general, property and workers compensation coverage).
- Employee Relations – responsible for responding and resolving employee complaints and concerns

As outlined in the approved FY 2008/2009 internal audit plan, the focus of this audit was on Personnel Administration (Personnel Technical Services). An audit of the Insurance component of the Human Resources Department will be included in our proposed internal audit plan for FY 2009/2010. Throughout the remainder of this report, the term "Human Resources Department" will be used to refer to the Personnel Administration (Personnel Technical Services) component of the department.

The primary objective of this audit was to assess the design and effectiveness of internal controls in place over the Human Resources Department, and to assess the Department's compliance with certain laws, rules and other County policies and procedures. During the course of our work, we discussed the control design and operating deficiencies and any compliance issues with management.

Relative risk is an evaluation of the severity of the concern and the potential impact on operations. Items rated as "High" risk are considered to be of immediate concern and could cause significant operational issues if not addressed in a timely manner. Items rated as "Moderate" risk may also cause operational issues and do not require immediate attention, but should be addressed as soon as possible. Items rated as "Low" risk could escalate into operational issues, but can be addressed through the normal course of conducting business.

There are many areas of risk to consider including financial, operational, and compliance, to name a few. For public sector organizations, we also consider public perception risk when determining the relative risk rating.

Our observations and recommendations for improving controls and operations are described in detail in the Issues Matrix included in this report. A summary of issues identified and their relative risk rating is provided below.

Issues	Risk Rating
1. *Cash receipts*: The Human Resources Department collects cash for certain insurance and pension related benefits. We noted opportunities for improvement of internal controls related to cash receipts to ensure that cash is accounted for correctly and not misappropriated.	**High**
2. *Personnel file changes (PAS)*: Payroll data can only be updated by the Human Resources Department. Payroll data changes are processed via the Personnel Action System (PAS). PAS's are initiated at the department level and ultimately reviewed and approved by the Human Resources Department. We noted control deficiencies exist that allow for inaccurate or unauthorized payroll data changes to be made that would not be identified by management.	**High**
3. *Background checks*: Per Administrative Order 26 (AO-26), background checks are required for all new employees. The level of background checks required is dependent on the position's level of interaction with the at-risk population, including children, the elderly and the disabled. We noted the County's process for administering background checks is decentralized, with the majority of repetitive tasks being performed at the department level. We noted that current procedures in place are inadequate to ensure compliance with AO-26.	**High**

Executive Summary - continued

Issues	Risk Rating
4. *Personnel files – security*: The County maintains hard copy personnel files for over 3,000 current and terminated employees. We noted access to the personnel files is generally not well restricted. In addition, we noted the procedures to maintain hard copy files is time intensive and inefficient, creating a risk that documents are misfiled/lost or that confidential information is inadvertently distributed.	**Moderate**
5. *Performance evaluations*: We noted a significant proportion of County employees are not currently receiving performance evaluations in accordance with County policies and procedures. In addition, we noted management does not have an effective process in place to monitor performance evaluations.	**Moderate**
6. *Compensatory time*: Certain County employees are eligible to receive compensatory time (comp time) in lieu of overtime, in accordance with and subject to certain restrictions as defined in the County's policies and procedures. We noted management does not have procedures in place to effectively monitor the process by which employees earn, accrue, and lose comp time in accordance with County polices and procedures.	**Low**
7. *Employee training*: According to the County's Merit System Procedures, employees are required to attend all mandatory training during their 9 month probationary period, or have their probationary period automatically extended. We noted opportunities for improvement in internal controls to ensure that employees receive mandatory training, and to track compliance with the requirements.	**Low**

Background

Background

Overview

The Human Resources Department, including Personnel Administration, Insurance and Employee Relations, operates a total annual budget of approximately $67.6 million (FY09 budgeted operating expenditures), employs approximately 27.5 individuals (full time equivalents - FTE's), provides a variety of services to over 3,000 employees and manages benefits for over 4,500 employees (including the charter offices).

As previously stated, the focus of this audit is on the Personnel Technical Services division of the Human Resources Department. Critical functions performed by the Personnel Technical Services division include the following:

- Processing paperwork for all new permanent and temporary County employees. Approximately 700 new employees were processed from April 1, 2008 to March 31, 2009. This function entails:
  - Managing the process for advertising open positions
  - Facilitating the application and selection process (management anticipates processing 11,500 applications for FY08/09)
  - Coordinating background checks and pre-employment drug screening
  - Establishing employee information in SAP
  - Compiling necessary paperwork and establishing the personnel file
  - Providing new employee orientation and training

- Maintaining the County's Pay and Classification Plan, and ensuring employee salaries are in accordance with the plan.

- Maintaining personnel files for approximately 3,000 employees.

- Processing nearly 200 personnel file or other document requests annually. While performing this function, the Human Resources Department must consider Florida Statutes Section 119, as well as County policies, which dictate the specific types of information considered classified and that cannot be distributed. Requirements vary based on whether or not the individual is exempt (code enforcement, fire rescue, etc.), as defined by Statute.

- Maintaining payroll data in SAP for all County employees, including management of the Personnel Action System (PAS), which is used to process requested changes to employee payroll data. The Human Resources Department processes approximately 3,000 PAS's annually, each of which is then entered into SAP.

- Processing approximately 180 cash receipts received from employees, retirees and insurance carriers each month (nearly $1,000,000 per month). Payments relate to insurance and retirement benefits, and the associated employee and retiree accounts must be maintained as well.

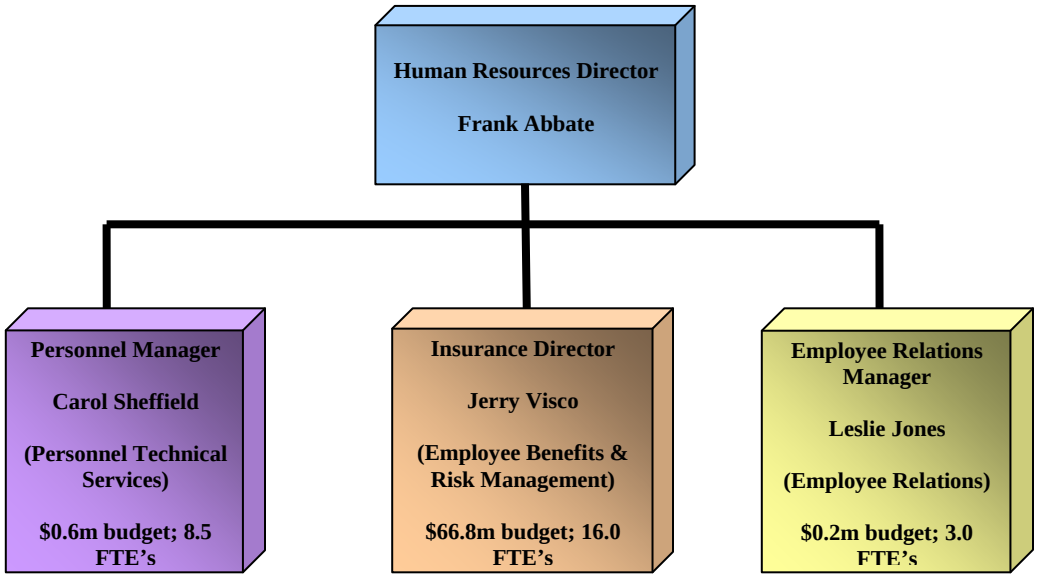
- Processing all County employee terminations. Approximately 800 employees were terminated from April 1, 2008 to March 31, 2009. Related to each terminated employee the Human Resources Department must:
  - Calculate the level of termination payouts (annual leave, sick leave and compensatory time) accordance with County policies,
  - Remove the terminated employee from SAP.

- Managing the County's volunteer program, to match willing volunteers/interns with service needs.

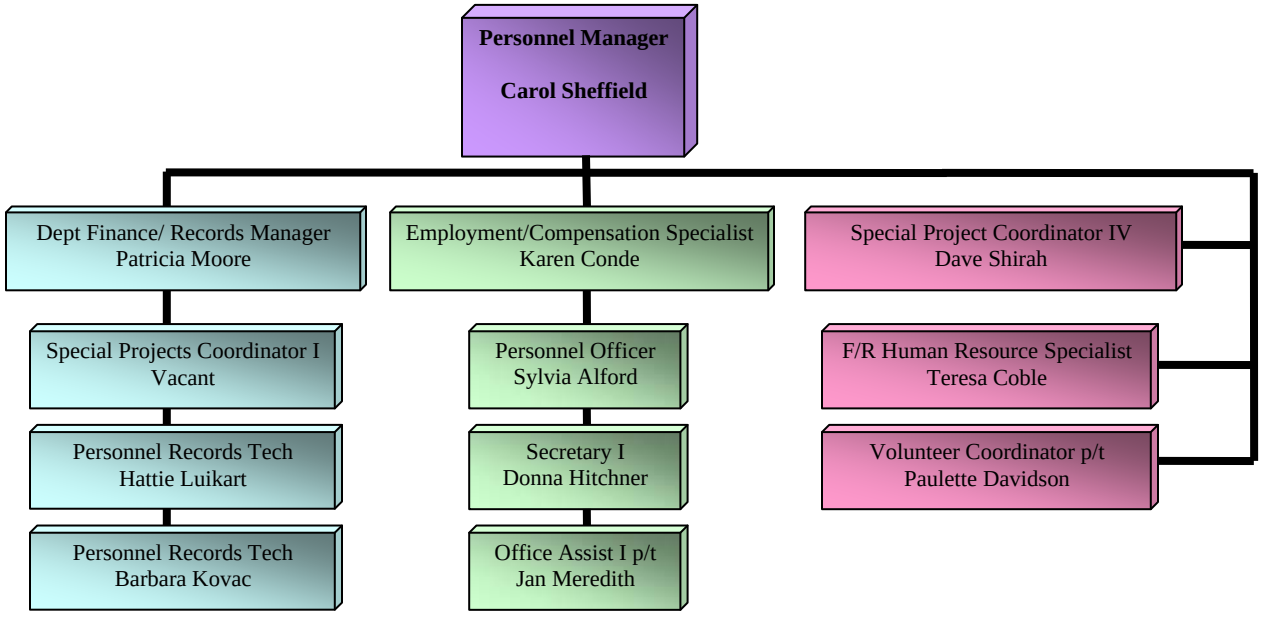
Background - continued

Organizational Chart

The Human Resources Department
The following represents a high level organizational chart for the entire Human Resources Department:



Personnel Administration (Personnel Technical Services)
The following represents a detailed organizational chart of the Personnel Technical Services (PTS) division of the Human Resources Department. As previously stated, the PTS division is the focus of this audit.



Background - continued

Selected Financial Data (Personnel Technical Services)

		FY 08/09 Budget		FY 07/08 Budget		FY 06/07 Actual		FY 05/06 Actual
Revenues								
Transfers – general fund	$	600,758	$	622,164	$	684,671	$	618,959
Miscellaneous revenues		475		475		752		794
Total Revenues		***601,233***		***622,639***		***685,423***		***619,753***
Expenditures								
Compensation and benefits		556,563		555,653		593,996		576,249
Operating supplies		44,670		66,986		44,456		40,549
Capital outlay		-		-		1,428		-
Total Expenditures		***601,233***		***622,639***		***639,880***		***616,797***
Revenues over (under) Expenditures	**$**	**-**	**$**	**-**	**$**	**45,543**	**$**	**2,956**

(Source: Adopted FY08/09 Budget)

The Personnel Technical Services division of the Human Resources Department is funded almost exclusively by a transfer from the General Fund. Budgeted transfers are expected to decrease approximately 3% from FY07/08 to FY08/09.

Expenditures consist predominantly of personnel costs (payroll and related costs). Miscellaneous other expenditures are nominal.

Comparative Statistical Data

For additional analysis, we selected two other Florida counties (Volusia and Manatee) and compared the operations of their Human Resources Departments, including the resources allocated to such operations. These counties were selected because they were similar in size and population to Brevard County.

We noted that the functions performed by each of the counties varies, including the types of functions performed, as well as the level to which those functions are performed (centralized, partially decentralized, decentralized). In addition, the different counties may perform and report similar functions in different departments or divisions of different departments. Given this, the comparison of Brevard County to Volusia County must be presented differently than the comparison of Brevard County to Manatee County. The following is a summary.

Brevard County vs. Volusia County

In general, Volusia County's Personnel Department operates similarly to Brevard County's entire Human Resources Department, providing many of the following similar services, such as the following:

- Maintenance of personnel files
- Processing new positions and new hires
- Employee orientation, training and monitoring of evaluations
- Employee benefits, group insurance and wellness programs
- Risk management

Background - continued

Comparative Statistical Data - continued

Brevard County vs. Volusia County - continued

One operational difference is that Volusia County does not typically require background checks of employees, except for public safety employees and certain high level administrative positions. Such background checks are performed either by the respective public safety department or by a third party.

The following is an overview of key statistical data comparing Brevard and Volusia counties, per the FY08/09 adopted budgets:

	Brevard	**Volusia**
HR employees	27.5	30
County employees	>3,000	3,601
Total personnel expenditures (FY08/09 adopted budget)	$1,932,192	$1,886,330
New employees hired, annually	600	300

Brevard County vs. Manatee County

Manatee County's Human Resources Department operates similarly to Brevard County's Personnel Administration (Personnel Technical Services) division, the division that is the focus of this audit, as stated in the executive summary. Specifically, Manatee County's Human Resources Department performs the following functions:

- Maintenance of personnel files
- Processing new positions and new hires
- Employee orientation, training and monitoring of evaluations

In addition, Manatee County's Human Resources Department performs certain functions not performed by Brevard County's Personnel Administration division, such as:

- Completion of background checks for all new employees (decentralized for Brevard)
- Administration of vacation, sick and comp time accruals (function of Payroll Department for Brevard)

The following is an overview of key statistical data comparing Brevard and Manatee counties, per the FY08/09 adopted budgets:

	Brevard	**Manatee**
Personnel Administration division - # of employees	8.5	11
County employees	>3,000	1,862
Total expenditures – (FY08/09 adopted budget)	$601,233	$1,118,502
Applications processed, annually	11,000	6,300
New employees hired, annually	600	310

Objectives and Approach

Objectives and Approach

Objectives

The primary purpose of this audit was to assess the design and effectiveness of internal controls in place over the Human Resources Department, and to assess the Department's compliance with certain laws, rules and other County policies and procedures.

Objectives of the current internal audit review of the Human Resources Department:

❑	Determine that new hires were properly authorized and accurately entered into the system, including determining if background checks were performed and whether salary amounts were authorized and accurately recorded.
❑	Review the accuracy of adjustments to employee records and to payroll data. Ensure that such adjustments were authorized and accurately recorded.
❑	Determine that final payments to terminated employees were accurately calculated.
❑	Review procedures related to cash receipts to determine the adequacy of internal controls to ensure cash receipts are processed and posted correctly and to mitigate the risk of loss due to theft.
❑	Verify that employees are being paid in accordance with pay rates authorized by management and supported by documentation included in the employees' personnel files. Validate that individuals on the payroll are bona fide employees.
❑	Determine whether performance evaluations are being completed in accordance with County policies.
❑	Verify that access to employee personnel files is adequately restricted, e.g., physical files were secured and incompatible duties (add, delete, modify) were appropriately segregated.

Approach

Our audit approach consisted of three phases:

- Understanding and Documentation of the Process
- Detailed Testing
- Reporting

Understanding and Documentation of the Process
During the first phase, we held an entrance conference with the Personnel Manager and other personnel to discuss the scope and objectives of the audit work, obtain preliminary data, and establish working arrangements. We then conducted interviews with responsible personnel and documented their role in the processes.

Objectives and Approach - continued

Approach - continued

Detailed Testing

The purpose of this phase was performance of testing procedures based on our understanding of department operations, applicable County ordinances, and Federal and State statutes. Our procedures included observation and inquiry, walk through and testing of individual transactions. The time period covered by testing was April 1, 2008 through March 31, 2009. We utilized sampling and other auditing techniques to meet the following audit objectives:

- Review the procedures in place for processing new County employees. Test a sample of new employees to verify the following:
  - a Job Requisition form was accurately processed,
  - the position corresponds to a valid (budgeted and unfilled) position control number (PCN),
  - the position was appropriately advertised,
  - veteran preference was identified, if applicable,
  - "continuous credit service" was calculated correctly, if applicable,
  - Background checks were performed in accordance with County policies,
  - The rate of pay is consistent with the County's Pay and Classification Plan or collective bargaining agreement, and
  - Employee attended mandatory training and orientation.
- Review the procedures for maintaining personnel files, to ensure they are adequately safeguarded and confidential information is not inappropriately distributed.
- Review the procedures for processing payroll data changes via the PAS system. Test a sample of PAS's to determine whether the PAS was accurately processed, reviewed, approved, posted to SAP and documented in the employee's personnel file.
- Test payroll transactions to determine whether:
  - the rate of pay is authorized and supported by documentation in the employee's personnel file,
  - compensatory time, if any, was authorized, and
  - the employee was a bona fide employee.
- Review the procedures for processing and reporting cash receipts.
- Review the procedures related to performance evaluations. Test a sample of active employees to ensure that performance evaluations are performed in accordance with County policies.
- Review the procedures for processing terminated employees. Test a sample of terminations to verify the accuracy of the employee's payout for annual leave, sick leave and comp time, and verify that the employee was removed from SAP timely.
- Review general compliance with statutes, policies, procedures, administrative orders and by-laws.

Reporting

At the conclusion of our audit, we summarized our findings related to the Human Resources Department. We conducted an exit conference with Management. We have incorporated Management's responses into our report.

Issues Matrix

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response
High	**1 *Cash receipts***		
	The Human Resources Department receives checks from retirees and Cobra participants for insurance, insurance companies for claims, and the State of Florida for pension payments. <u>Cash collection</u> Cash is collected from insurance participants by either the receptionist or the Employee Benefit Specialist, if paid in person. The checks are received by the receptionist through the mail. Receipts for payments are given as requested from various cash receipt books. If the receptionist is out of the office, then the Finance Manager is the backup. <u>Recording of cash</u> Currently, a check log is maintained by the receptionist who records all funds received. Only the receptionist and the Finance Manager have access to the check log. The Accounting Technician prepares and records deposits on the customer subledger. Access to the customer subledger is not restricted. The Accounting Technician takes the deposit to the bank. The Finance Manager records the deposits in SAP. <u>Reconciliation</u> The Finance Manager reconciles the check log to the deposits and customer subledger. She also reviews the retirees and Cobra participants that are delinquent on their payments and listed on the insurance report as active participants. The Accounting Technician double checks the deposits for a payment from the participant and then notifies Risk Management of accounts that are delinquent.	We recommend the following related to the County's cash procedures: a) The County should restrict access to the customer accounts so only the Accounting Technician can update the customer subledger. b) The Employee Benefit Specialists and the Finance Manager should not collect the cash since they have access to update individual insurance accounts. The receptionist and a backup (who does not have access to the check log or the customer accounts) should be the only ones collecting over the counter receipts. c) The cash receipts book should be reconciled to the check log on a monthly basis. To simplify the reconciliation, there should only be one cash receipt book in use at a time by the receptionist.	Response: Recommendations have been implemented. Responsible Party: Department Finance Manager Estimated Completion Date: October 31, 2009

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response
High	**1 *Cash receipts - continued***		
	Notification Risk Management will send letters to the participants to notify them they are behind or that their insurance is being terminated. Related to the cash receipts process, we noted certain issues with the segregation of duties. The Finance Manager is reviewing so she should not have access to the cash or be able to update the customer subledger. The Employee Benefit Specialists collect funds and also update the retiree or Cobra participant's account. Also, the cash receipts are not reconciled to the deposits to ensure they are complete.		

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response
High	**2 *Personnel file changes (PAS)***		
	Payroll data is maintained in SAP. Only the Human Resources Department has access and can make changes to these fields in SAP. The Finance Department (Payroll) is responsible for processing payroll based on the information contained within SAP. Changes to employee payroll data is processed via the Personnel Action System (PAS). PAS's are issued and processed for some of the following purposes: • New hires • Promotions • Pay increases • Pay decreases • Demotions • The addition or deletion of shift differential PAS's are generated at the department level, where they are reviewed and approved. PAS's are then forwarded to the Human Resources department, where they are again reviewed for accuracy and reasonableness. PAS's are then provided to a Personnel Records Technician, who actually posts the intended change in SAP and faxes to Payroll a hard copy of the final PAS. Payroll then ensures the appropriate change was made when processing the next batch of payroll checks. During our review of changes to payroll data, we noted no one in the Human Resources Department reviews to ensure the Personnel Records Technician posted the appropriate change in SAP, in accordance with the requested change per the PAS. Payroll only performs a review for PAS's it receives via fax. Payroll is not aware of and would not review payroll data changes for which it does not receive a PAS via fax. We note this is a significant control deficiency. No single employee should have the ability to make changes to payroll data, where the review of such changes is contingent on a specific action of the same employee. There is currently no systematic way to identify inappropriate payroll data changes made by the Personnel Records Technician.	We recommend management improve controls over the PAS system to verify that changes made to payroll data are accurate and authorized. Specifically, we recommend the Personnel Records Technician provide all PAS's processed for a particular day to the Records Manager. The Records Manager should perform the following: a) Verify that each change was made correctly in SAP. This step will identify any manual errors in posting changes to SAP. b) Generate a report listing all payroll data changes in SAP for the same day. Review the report to verify that each change corresponds to a valid PAS. This step will ensure that all changes in SAP are authorized. c) Sign off on each PAS indicating the above two steps have been performed without exception. A separate sign off field should be added in the PAS system for the Records Manager's review. d) Quarterly, the Records Manager should generate a report of all PAS's to identify those PAS's that have not received final sign off. This step will ensure that all PAS's are accounted for, and that the Personnel Records Technician processed all PAS's.	Response: Each pay period, after the payroll system is closed for changes, and before payroll is started, an SAP report will be generated. This report will list pay changes made for the pay period and be reconciled to a report of all PAS change requests approved for that same pay period. This will ensure that all pay changes are made correctly in SAP and all PAS change requests are processed for the pay period. Responsible Party: Records Tech and Records Manager Estimated Completion Date: January 31, 2010 Response: A quarterly review of all outstanding PAS change requests will be conducted by the Records Manager. Responsible Party: Records Manager Estimated Completion Date: October 1, 2009

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response
High	**3 *Background checks***		
	Administrative Order 26 (AO-26) governs the County's policy related to background checks performed for new hires. All County employees (and volunteers) are segregated into the following three categories: • Level I – Employees who work unsupervised with at-risk population, including children, the elderly, the disabled, etc., • Level II – Employees who work supervised with at-risk population, and • Level III – All other employees. Background checks at varying levels are required as follows: • Level III – Florida and out-of-state sexual predator offenders check, local criminal check, reference checks, prior employment check, Brevard County E-facts check, Florida Department of Corrections check, and various others on a case-by-case basis. • Level II – Same as Level III, plus out-of-state criminal check and check with Florida Department of Law Enforcement (FDLE). • Level I – Same as Level II, plus fingerprinting (sent to FDLE), national FBI criminal investigation check, and recertification of local criminal check every 5 years.	We were made aware during our testing that the County outsourced, effective June 2008, the hiring of the Parks and Recreation Department's temporary employees to a third party, who will be responsible for performing background checks in accordance with County policies. Given the large number of seasonal (temporary) employees hired each year, we note the overall workload related to background checks will be minimized. Accordingly, our recommendations related to background checks apply predominantly to permanent employees. With respect to the County's background checks, we recommend the following: a) Background checks should be centralized and performed by one small group of employees. Currently, employees from every department are responsible for performing and documenting identical tasks. Centralization will minimize the risks of noncompliance with County policies and inadequate documentation. b) The Human Resources Department should create a standardized background checklist to be used for all employees. c) The results of background checks, and the corresponding checklist, should be retained in each employee's personnel file, rather than with the various departments.	Response: The Administrative Order 26 (AO-26) will be modified to streamline the process while the responsibilities remain decentralized. Mandatory training will be offered several times during the year with a renewal every two years. The Background Screening Checklist and the results of each screening will be provided to the Human Resources Department for each new hire. The checklist will become a part of the personnel file, but the background results will be kept separate in HR. A Budget Program Change will be submitted to add the Background Investigator position that was eliminated. Responsible Party: Personnel Manager Records Supervisor Estimated Completion Date: January 31, 2010 Response: A new background level category relationship for every position in SAP will be created by IT. Each department will provide the appropriate background level for each position and this will be loaded into SAP. This information will pull into the PAS change request when a person is hired or transferred to another position. Responsible Party: Personnel Manager Records Manager Estimated Completion Date: January 31, 2010

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response
High	**3 *Background checks - continued***		
	Detailed testing results We selected 40 new hires from the period April 1, 2008 to March 31, 2009 for testing purposes. We noted the following specific exceptions: • 8 Parks and Recreation lifeguards (Level I) did not receive FDLE background checks. • 5 Fire Rescue lifeguards (Level I) were not fingerprinted. • 2 lifeguards (Level I) were fingerprinted, but the national FBI criminal investigation check was not completed. • 1 employee did not have an out-of-state criminal check completed, even though the employee had only an out-of-state driver's license and no local criminal check could be performed. • For 10 new employees, there was no evidence that either reference checks or previous employment checks were completed. Consistency of background checks During our review of the County's process to perform background checks, we made the following general observations: • The background check process is decentralized and generally inefficient. • On a case-by-case basis, the Human Resources Department performs certain background checks. However, individual departments are generally responsible for performing the majority of checks. • Different departments use different checklists, though the rules (AO-26) are identical. • Evidence of background checks performed is not typically retained in the employee's personnel file; rather, evidence is retained at the department level.	d) Within SAP, we recommend that each position control number (PCN) be identified as Level I, II or III. Such tracking in SAP will minimize the risks that departments identify the wrong level for a particular new employee. Decisions will be made one time for each position. In addition, this tracking in SAP will allow management to comply with its requirement in 2011 to begin recertifying all Level I employees every 5 years. e) 7 year address history should be added to and collected on the County's background checklist so that management is able to comply with the requirement to perform out-of-state sexual predator and sexual offender checks for all employees. f) As stated above, the hiring of temporary employees has been outsourced. We recommend management establish procedures to monitor the level and quality of background checks performed by the temporary agency to ensure consistency with AO-26. We believe the above recommendations will provide general efficiencies County-wide and that management will be able to ensure compliance with AO-26, and standardize the process for (and documentation of) background checks.	

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response
High	**3 *Background checks - continued***		
	Consistency of background checks - continued • The level of detail retained as evidence by each department is inconsistent (i.e. - some simply date a checklist; some print a copy of website indicating "no results found"). • Individual departments, and even supervisors within departments, are responsible to categorize prospective employees as Level I, II, or III. Based on our review, it appears that similar positions with similar job descriptions are categorized differently. Other observations According to AO-26, out-of-state sexual predators and sexual offenders checks should be performed based on seven years address history (Level III – all employees). Currently, neither the Human Resources Department nor the individual departments are obtaining more than the current address in order to meet this requirement. According to AO-26, all Level I employees must have a re-certification of their local criminal check every 5 years. AO-26 was approved in 2006. Accordingly, in 2011, this additional requirement will become effective. Currently, there is no process in place to meet this requirement. An employee's level (I, II or III) is not tracked in SAP. It is only written manually on one of the various checklists used for background checks.		

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response
Moderate	**4 *Personnel files - security***		
	For each of its approximately 3,000 employees, the County maintains a separate personnel file with a variety of public and confidential information. In addition, the files of terminated employees are maintained onsite for approximately two years after termination. After two years, such files are stored at an offsite storage facility for an additional 25 years. The majority of information contained in personnel files is public information. In accordance with Florida Statute Section 119, certain sensitive data, such as social security numbers, bank account information, and biometric data is considered confidential for all employees. For all exempt employees (public safety employees, etc.), addresses and other additional personal information is considered confidential. The Human Resources Department responds to hundreds of records requests annually from both County management and the public. For each request, classified information must be redacted (removed) from personnel files. We noted access to personnel files is generally not well restricted, as follows: • None of the personnel files are locked, and many are in a cabinetry system without doors or covers. • Each of the approximately 30 employees in the Human Resource Department has unrestricted access to personnel files. • The main door to the Human Resources Department is locked before and after hours. However, during the day only an unlocked half door restricts third party entrants to the area housing personnel files. There is typically an Office Assistant near the half door, though we noted several instances when the Office Assistant was not present, which could allow for unrestricted access to personnel files.	We recommend the County consider implementing a paperless system for maintaining employee personnel files. Such a conversion would provide the following benefits: a. Significant efficiencies and cost savings related to the generation, handling and processing of hard copy documents. b. Simplification of the redaction process. All electronic files can be initially marked and segregated as either restricted or unrestricted. c. Enhanced security of classified data. Access to personnel files can be restricted electronically via user ID and password. d. Personnel files cannot be misfiled or lost. e. Elimination of the manual look-up of documents. f. Reduction in costs related to storage of personnel files of current and past employees. We understand the conversion to a paperless environment will take time, staffing and additional funding to implement. In the interim, we recommend management improve personnel file security by restricting the physical access to files. At a minimum, management should consider storing files in either a separate room or a cabinetry system that can be locked.	Response: Until resources are identified and funding provided, a paperless system will not be possible. An unfunded budget request for implementation of a paperless system and staff will be added as part of the HR's budget submittal for FY 2009/2010. Responsible Party: Records Manager, Personnel Manager Estimated Completion Date: Unknown Response: A cubicle wall and locking door will be installed at the entrance of the file area and general supplies will be relocated out of the personnel file area. A work order to have Facilities do this work will be created in SAP. Access to the personnel file room will be limited to HR staff members, specifically identified by the Personnel Manager, who utilize personnel files on a regular basis. Responsible Party: Human Resources Secretary Facilities Department Estimated Completion Date: October 31, 2009

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response
Moderate	**4 *Personnel files – security - continued***		
	• During the evenings, the department receives janitorial services, which provides those individuals with unrestricted access to personnel files. In addition, we noted procedures to maintain hard copy personnel files is time intensive. Copies of screen shots and other electronic data is often printed and retained in the personnel files. We noted numerous documents that were created by cutting and taping together portions of other documents. Documents are often faxed between various departments. Finally, when personnel file requests are made, the entire (redacted) file must be copied and provided to the requesting individual. We believe the manual nature of maintaining hard copy personnel files is inefficient and creates a risk that documents are misfiled/lost, or that confidential information is inadvertently distributed. We reviewed the County's redaction process, as described above. In general, the redaction process cannot be easily tested, as no documentation is retained of the specific information distributed. However, management sets aside completely separate redacted files for certain high level employees whose files are most often requested (County Manager, Assistant County Manager, Sheriff, certain Department Directors, etc.). These files are set aside for efficiency purposes only. We tested 10 of these redacted files, noting one exception where an employee's social security number was included with information to be distributed to the requesting party.	In addition, we recommend management review all redacted files for those high level employees receiving the most frequent document requests. Management should ensure that all such files contain no confidential information in accordance with County policies and procedures.	Response: Each of these files will be individually reviewed. A schedule of review for existing redacted files has been developed. Responsible Party: Records Manager Personnel Records Technicians Estimated Completion Date: October 31, 2009 Response: A process has already been implemented to redact files for new public records requests – a second staff member reviews the redacted document before it is released. Responsible Party: Records Manager Personnel Records Technicians Estimated Completion Date: Completed Response: A paperless document management system is being reviewed for use in copying and redacting files for new public records requests. Responsible Party: Records Manager Personnel Manager Personnel Records Technician Estimated Completion Date: October 31, 2009

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response
Moderate	**5 *Performance evaluations***		
	According to the County's Merit System Policies, all employees are to receive annual performance evaluations. Employees on probation are required to be evaluated every four months. Performance evaluation dates and scores are documented in SAP. The August 22, 2002 internal audit of Payroll/ Timekeeping identified instances where County employees were not receiving performance evaluations in accordance with County policies. In response to those findings, the Human Resources Department assumed a more active role in monitoring the timeliness of performance evaluations. During the current internal audit of the Human Resources Department, we selected 25 employees for testing purposes. We identified exceptions related to 15 employees, some with multiple exceptions. The following is a summary: • 7 employees have not received evaluations during the most recent 12 month period. • 5 employees have not received evaluations during the most recent 24 month period. • 4 employees did not receive timely evaluations during their probationary period. • 1 employee's most recent evaluation was below the "meets expectations" level. This employee did not receive special evaluations every 60 days, in accordance with the Merit System Procedures. • 1 employee's most recent performance evaluation was documented in SAP but could not be located in the personnel file. In addition, we reviewed the aggregate list of permanent employees as of March 31, 2009, noting approximately 35% did not receive evaluations in the most recent 12 month period.	We recommend management monitor the performance evaluation process to ensure employees are receiving evaluations timely and in accordance with the County's Merit System Policies. Specifically, management should generate SAP reports on a monthly basis of employees that have not received a current evaluation. These reports should be distributed to respective department heads on a monthly basis. Quarterly, management should distribute to the Assistant County Managers a report of employees more than three months delinquent. Quarterly, management should distribute to the County Manager a report of employees more than 6 months delinquent. We believe the above reports will require minimal effort on the part of management, but will generate sufficient incentive for supervisors to perform timely performance evaluations for all permanent employees.	Response: As a result of the 2006 Employee Satisfaction Survey, a cross-functional continuous improvement team was sponsored by Human Resources and chartered to develop a revised performance evaluation form, process, and subsequent training. The final evaluation and process was presented to County Management and Directors in November 2008. Train-the-trainer classes were held in February 2009, supervisory training will be conducted in August and September 2009 with the new form and process going live October 1, 2009. The new performance evaluation form and process will address this issue, as supervisors will be evaluated and held accountable for completing timely evaluations. Responsible Party: Personnel Manager Information Technology Estimated Completion Date: October 1, 2009

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response
Moderate	**5** ***Performance evaluations - continued***		
			Response: Directors have been reminded on a regular basis to ensure that Performance Evaluations are done in a timely manner and they have had the ability to run reports in SAP to monitor Performance Evaluations. In order to provide more oversight, IT will create reports of overdue Performance Evaluations that will be automatically generated and distributed to Directors monthly and to Assistant County Managers and County Manager quarterly. HR has met with IT and started the process to create the necessary reports. Departments will continue to have the capability to run Performance Evaluation reminder reports. Responsible Party: Personnel Manager Records Manager Information Technology Estimated Completion Date: January 31, 2010

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response
Low	**6 *Compensatory time***		
	As a general rule, non-exempt employees are required to be paid overtime at a rate of one and a half times the employee's normal rate of pay. However, in lieu of cash payment for overtime, the County's Merit System Policies (Policy II) allows non-exempt employees to accrue and carry up to 80 hours of compensatory time (comp time) in accordance with the provisions of the Fair Labor Standards Act (FLSA). In accordance with the County's Merit System Procedures, all agreements to accept comp time in lieu of cash payments must be in writing and should be signed by the employee prior to working the additional hours. Certain overtime exempt employees are also eligible to accrue and carry up to 80 hours of comp time under certain circumstances. <u>Payout of comp time</u> County *policies* are approved by the Board of County Commissioners. County *procedures* are approved by the County Manager. While the County has policies in place requiring the pay out of sick leave and annual leave (vacation) balances upon termination, we noted the County's Merit System Policies do not address whether or not comp time balances are to be paid out upon termination. The County's Merit System Procedures direct management to pay out 100% of comp time balances. We note the current procedures are not supported by a corresponding valid policy.	We recommend the following related to the County's comp time policies and procedures: a. The County's Merit System Policies should be updated to address the payout of comp time balances upon termination. b. Management should develop a consistent policy and methodology for tracking and capping excess comp time balances. Options include 1) *never* allowing comp time balances to exceed the 80 hour cap, 2) capping excess hours on the employee's anniversary, or 3) capping excess hours on a certain date each fiscal year. The last option (#3) is recommended, as it allows some flexibility for employees and for management, and is the least costly to implement. c. Management of the Human Resources Department should begin monitoring compliance with the requirement to obtain written agreements prior to working additional hours. On a quarterly basis, management should consider sampling a small number of employees earning comp time, and verify that those employees have signed the written agreement, as required. We believe the recommended procedure is an efficient and effective way to monitor compliance with County policies. d. Management should formally communicate to all employees the updated policies and procedures, as described above. In addition, we recommend management update the written agreement signed by employees prior to working additional hours. The revised agreement should include all key components of the updated policies.	Response: a. The Merit System Policy on Leave will be modified to address payout of compensatory time upon separation from employment. Responsible Party: Personnel Manager Estimated Completion Date: January 31, 2010 Response: b. The Merit System Policy on Leave will be modified to allow the County Manager to waive the 80 hour cap on compensatory time when it is in the best interest of County (for example, declared emergency conditions). Responsible Party: Personnel Manager Estimated Completion Date: January 31, 2010 Response: c. HR will prepare a quarterly report that identifies non-exempt employees who have received compensatory time. From this, a different department will be contacted each quarter and asked to provide compensatory time agreements for a sample of their employees. Responsible Party: Records Section Estimated Completion Date: October 31, 2009

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response
Low	**6 *Compensatory time - continued***		
	Comp time authorization During our testing of 40 payroll entries, we noted the following related to the requirement for non-exempt employees to sign a written agreement prior to working additional hours: • 1 employee did not sign the agreement • 1 employee signed the agreement only *after* working such additional hours Compliance with the requirement to have signed agreements is currently not monitored. Responsibility lies with the supervisor of each department. 80 hour cap During our testing, we noted two employees that had comp time balances in excess of the 80 hour cap. Neither employee received written authorization from the County Manager, which is required to carry comp time hours in excess of the 80 hour cap. We noted management does not have a systematic and consistent way in which to monitor and "cap" comp time balances in excess of the 80 hour maximum. Further, we note the County's policy is ambiguous as to how and when comp time balances in excess of the 80 hour maximum are capped (lost). Currently, management periodically runs a report to identify excess comp time and then makes efforts to work with employees and supervisors to reduce the comp time balance to an acceptable level. Only then are excess comp time balances capped (lost). We note the existing policy and management's current methodology generate a significant risk that comp time balances are capped inconsistently from employee to employee.		Response: d. Employees will be notified of updated policies via the revised Employee Handbook and the EAC Meeting Minutes. Responsible Party: Personnel Manager Estimated Completion Date: October 31, 2009

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response
Low	**7 *Employee training***		
	According to the County's Merit System Procedures (Procedure V), employees are required to attend all mandatory training during their 9 month probationary period. Employees who do not attend such training are to have their probationary period automatically extended. Per the County's Training and Development Opportunities Manual, mandatory training for each new employee includes a ½ day new employee orientation. According to the manual, "the idea is to provide, as early as possible, the critical training new employees must have to handle sensitive situations they may encounter in the workplace. This training makes the employee aware of the County's expectations of them when they face human relations issues in the workplace." Currently, management sends invitations to new employees to attend the orientation. Invitations are sent monthly during the employees' first couple of months. Department directors are copied on this correspondence. No additional notification is made to either department directors or to the County Manager. <u>Probationary period</u> Management currently tracks in SAP all training attended by employees. However, this tracking does not specifically identify employees whose probationary period is extended for failure to attend mandatory training. Terminated employees who are on probation are not eligible to receive payout for any portion of unused sick leave. When calculating termination payouts, management does not currently review for employees on probation for failure to attend required training. Accordingly, there is a risk that terminated employees on probation are overpaid for unused sick leave. During our testing of 40 new hires from the period April 1, 2008 to March 31, 2009, we noted 2 employees that did not complete the mandatory ½ day new employee orientation within the 9 month probationary period. Neither employee has since completed the mandatory orientation.	We recommend the following related to mandatory training: a) To encourage employees to attend the mandatory new employee orientation, management should generate a report that lists employees at least 6 months into their probationary period that have not completed all mandatory training. Quarterly, this report should be distributed to the Assistant County Managers. b) For employees that fail to complete all mandatory training during the probationary period, management should provide written notification to the employee that his or her probationary period has been extended. The employee's department director and the County Manager should be copied on such notification. In addition, management should review the above mentioned reports when determining the appropriate sick leave payout for terminated employees, in order to avoid overpaying accrued sick leave. Alternatively, management may consider amending its policy regarding the payout of sick leave to employees on probation.	Response: A letter will be sent to all new employees and newly appointed supervisors at least one month prior to the end of their probationary period, notifying them of the specific mandatory courses they must attend in order to be released from their probationary period. A copy of this letter will be provided to each Department Director and placed in each employee's personnel file. Responsible Party: Special Projects Coordinator II Estimated Completion Date: October 31, 2009 Response: The Merit System Policy on Leave will be modified to say that sick leave will not be paid out for employees who terminate during the first nine months of employment. Responsible Party: Personnel Manager Estimated Completion Date: January 31, 2010

ISSUES MATRIX

Other Observations	
Observation / Recommendation	**Management Response**
Payout of sick leave	
Issue Upon termination, employees are paid out their unused sick leave balance. Employees receive only a portion of their accrued sick leave balance (from 0% to 50%), depending on various circumstances, including length of service, standing with respect to the Florida Retirement system, whether they are on probation, etc. The Human Resources Department is responsible to determine the correct percentage payout, which is processed by the Finance Department. During our testing of 40 employee terminations for the period April 1, 2008 to March 31, 2009, we noted one employee that was overpaid his sick leave balance. The employee was paid 50% of his accrued sick leave balance but should have been paid only 30%. Recommendation We have determined that the exception identified during testing was due to a clerical error. Management has already drafted and mailed a letter to the terminated employee requesting reimbursement. Currently management indicates both the percentage payout (20%, 30% or 50%) and a corresponding code (A, B or C), respectively. We recommend management only indicate the percentage, as the code is duplicative and represents a risk that the two do not match. This was the case for the single exception noted above during testing. In addition, management could improve controls, including the addition of a separate review of the determination of sick leave payout percentages. However, the reviewer would be required to re-perform the same steps as the preparer. Such additional internal controls may not be deemed cost effective. We recommend management discuss the exception with staff and consider the possibility of improved controls.	**Response:** The payout code for terminations is no longer used, only the percentage amount is now listed on the PAS change request. The staff person responsible for terminations has modified her process to include re-checking the percentage amount upon submitting to payroll. Responsible Party: Human Resources Benefits Specialist Estimated Completion Date: Completed

Other Observations	
Observation / Recommendation	**Management Response**
New hire checklist	
Issue We noted the Human Resources Department does not currently utilize a new hire checklist. Recommendation We recommend the Human Resources Department create and implement a new hire checklist to be used for all new employees. The checklist should consider the various recommendations throughout this report. Specifically, the checklist should include, at a minimum, a sign off for each item completed, such as documents required of employee (driver's license, etc.), forms completed by employee (I-9, benefit elections, etc.), indication that the background checklist was completed, and all other standard items that need to be completed for each new hire. The completed checklist and all related documents should be included in the employee's personnel file. The use of a new hire checklist will ensure that all new employees are processed consistently and in accordance with County policies and procedures.	**Response:** A new hire checklist has already been developed and implemented. Responsible Party: Employment & Compensation Specialist Personnel Manager Estimated Completion Date: Completed