

County of Summit
Human Resource Commission
Performance Audit
General Report

Prepared for:

Kasie Pizarro
Audit Committee

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Summit County
Internal Audit Department
175 South Main Street
Akron, Ohio 44308

Lisa L. Skapura, Director
Meredith Merry, Deputy Director
Jon Keenan, Senior Auditor
Jaime Mayo, Internal Auditor
Brittany Manfull, Internal Auditor
Susan Tripepi, Internal Auditor
Brandon Schmidt, Internal Auditor
Jordan Duncan, Auditor Intern

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EXECUTIVE SUMMARY

Total Number of Issues – 8

Policies and Procedures

Section	# Issues	Issue Descriptions	Page Ref.
Policies and Procedures Manual	2	<ul style="list-style-type: none"> • Miscellaneous (no effective dates, management approval, etc.); Insufficient or no written P&P for several areas/processes • Incomplete records retention schedule 	7

Internal Controls

Strong Internal Controls:

Testing Section	# Issues	Issue Description	Page Ref.
Fringe Benefits	0	N/A	9
Payroll	0	N/A	9
ADA	0	N/A	9
FMLA	0	N/A	10

Weaknesses in Internal Controls:

Testing Section	# Issues	Issue Descriptions	Page Ref.
Personnel Files	2	<ul style="list-style-type: none"> • Incomplete personnel files • Files not maintained for members of Commission 	8
Leave Donation Program	2	<ul style="list-style-type: none"> • Employee consent not given to disclose name • HR representative completed application on employee’s behalf allowing release of confidential information 	10
Commission Meetings	1	<ul style="list-style-type: none"> • No designation of Vice Chairperson 	11
Ethics & Outside Employment	1	<ul style="list-style-type: none"> • Review & receipt not documented, statements not received timely 	11

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GENERAL BACKGROUND

On November 7, 1995 the electors of Summit County at the general election voted to amend the Charter of the County of Summit by enacting an article, which allowed for the formation of a Human Resource Commission (HRC).

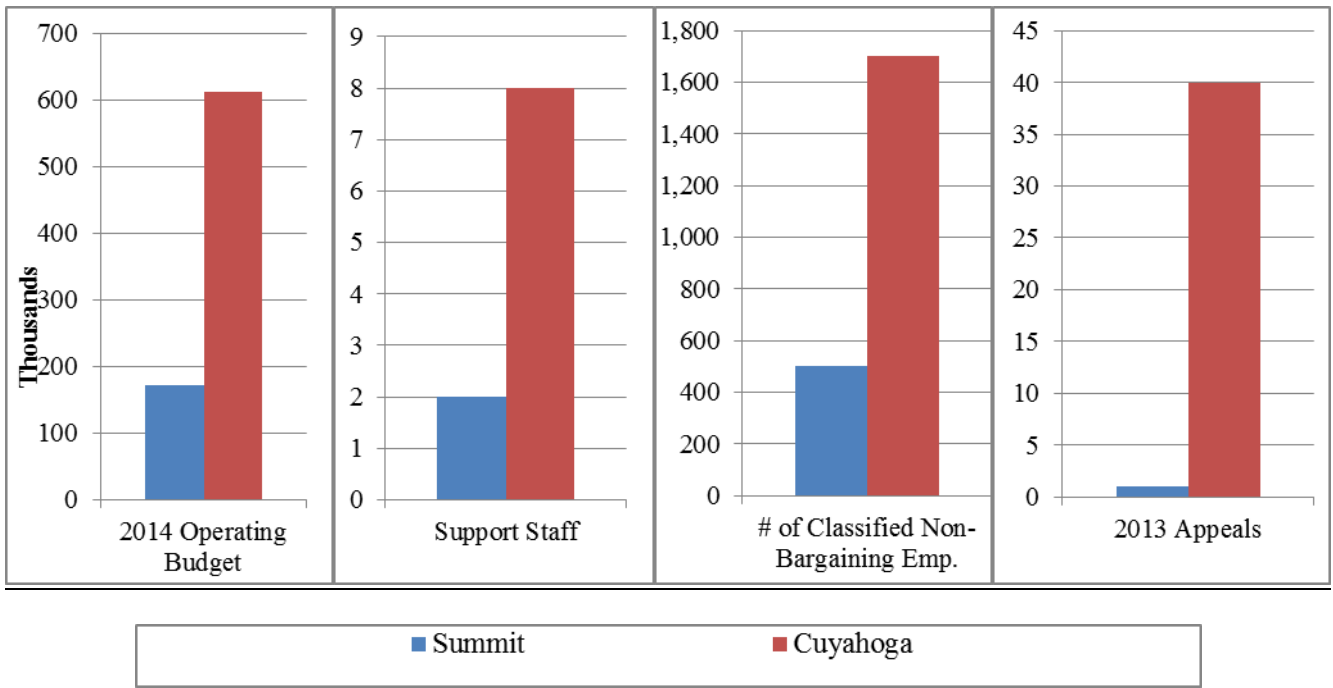
The Commission is an independent, neutral body that provides a forum for administrative appeal by classified non-bargaining unit employees of the County Clerk of Courts, County Council, County Engineer, County Executive (including Department of Jobs and Family Services), County Fiscal Officer, County Prosecutor (including Child Support Enforcement Agency) and County Sheriff.

The HRC is also responsible for administering the Federal Family Medical Leave Act (FMLA), Americans with Disabilities Act (ADA) and the Summit County Leave Donation program.

The HRC consists of three (3) Commissioners which are appointed to five (5) year terms by the County Executive. The HRC support staff consists of two (2) employees (0.1% of Summit County employment) comprising of an Administrator and Assistant Administrator.

The HRC’s 2013 and 2014 budget totalled \$171,000 and \$171,500, respectively (0.1% of the 2013 and 2014 County operating budgets).¹

IAD compared 2014 operating budgets, support staff levels, number of classified non-bargaining employees (to which appeals are applicable), and appeals that were filed in 2013 to Cuyahoga County, the only other government entity in Ohio with a Human Resource Commission. The comparisons are represented in the graphs below:



Note: Primary functions for Cuyahoga County’s HRC do not include administering FMLA, ADA, or leave donation programs.

¹ <https://co.summitoh.net/images/stories/Finance/pdf/OperatingBudget/2014ProposedOperatingBudget.pdf>
<https://co.summitoh.net/images/stories/Finance/pdf/OperatingBudget/2013OperatingBudget.pdf>

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AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

The primary focus of this review was to provide the HRC with reasonable assurance, based on the testing performed, on the adequacy of the system of management control currently in effect for the audit areas.

Management controls include the processes for planning, organizing, directing, and controlling program operations, including systems for measuring, reporting, and monitoring performance. Management is responsible for establishing and maintaining effective controls that, in general, include the plan of organization, as well as methods and procedures to ensure that goals are met. Specific audit objectives include evaluating the policies, procedures, and internal controls related to the HRC.

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.

Based on the results of our review, we prepared specific issues and recommendations for improvement that were discussed with management. These recommendations, as well as management's unaltered written response, can be found in the following sections of this report.

Objectives:

- To obtain and review the current policies and procedures.
- To review the internal control structure through employee interviews and observations.
- To perform a general overview of the physical environment and security of the facilities, data, records and departmental personnel.

Scope:

An overview and evaluation of the existing policies, processes, procedures, contracts and internal control structure utilized by the Human Resource Commission from January 1, 2013 through February 28, 2014.

The following were the major audit steps performed:

OBJECTIVE 1 – POLICY AND PROCEDURES REVIEW

1. Obtain and review the current policies and procedures.
2. Meet with the appropriate personnel to obtain an understanding of the current department processes and procedures. Compare those existing processes to the policies and procedures manual for consistency, noting all exceptions.
3. Obtain and review the document retention policy and determine if policies and procedures are currently in place and being followed.
4. Test procedures for mandatory compliance where applicable.
5. Identify audit issues and make recommendations where appropriate.

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OBJECTIVE 2 – REVIEW OF INTERNAL CONTROLS

1. Meet with the appropriate personnel to obtain an understanding of the control environment.
2. Document the existing control procedures in narratives and/or flowcharts.
3. Compare existing processes to the policies and procedures manual for consistency.
4. Test procedures for compliance where applicable, noting all exceptions.
5. Investigate discrepancies and summarize results.
6. Make recommendations where appropriate.

OBJECTIVE 3 – REVIEW OF SECURITY (covered in a separate report in compliance with ORC §149.433).

1. Perform a general overview of the physical environment and security of the department/agency being audited.
2. Interview various personnel to determine that confidential information is secure and processed only by appropriate parties.
3. Test security issues where appropriate.
4. Analyze current policies and make recommendations.

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DETAILED COMMENTS

Interviews:

To gain an understanding of the Human Resource Commission (HRC), IAD performed interviews with the following positions:

- Administrator
- Assistant Administrator

Any issues noted are addressed in the respective sections of this report.

I. Policies and Procedures Review:

HRC's policies and procedures were reviewed for each of the applicable testing sections within the audit for accuracy and completeness and compared to current processes for consistency. The HRC's Records Retention Schedule (RC-2) was also reviewed for completeness and compared to processes throughout the audit to ensure that the schedule contained all relevant documents.

The following issues were noted:

1. Issue:

Upon review of the HRC's policies and procedures for completeness and accuracy, IAD noted the following:

- No evidence of review within the least two (2) years for ADA, HRC Rules, HRC Personnel Manual.
- No evidence that management has formally approved the policies.
- No evidence of employee sign-offs acknowledging they have read and understand the policies.

Additionally, no written or insufficient policies and procedures were noted for interaction with the press and human resource functions (e.g., personnel file checklist, new hire checklist, etc.).

Recommendation:

IAD recommends that policies and procedures be created/updated, approved, and disseminated for all functional areas within the department. Additionally, IAD recommends that management approval of policies and procedures be documented and staff sign offs, acknowledging that they have read and understand the policies, be obtained. This will help to ensure that proper written procedures are in place, approved, and consistently followed by employees.

Management Action Plan:

Policies and procedures will be reviewed and created where necessary. A 'New Hire' Checklist for new employees will be created. Policies will be approved by Administrator and all policies will be disseminated and signed off for with HRC employees. Target Date July 30, 2014.

2. Issue:

Upon review of the Records Retention Schedule (RC-2) for the HRC, IAD noted that the following records were not included:

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- ADA Accommodation Form
- ADA Medical Verification Form

Recommendation:

IAD recommends that the HRC update the RC-2 to include all pertinent records and documents and submit to the appropriate parties for approval. This will help to ensure record retention is complete and accurate.

Management Action Plan:

RC-2 will be updated to include ADA Forms. Target Date July 30, 2014.

II. Internal Control Testing:

Risk-based internal control testing and/or observations were performed in the following areas:

- Payroll
- Fringe Benefits
- Americans with Disability Act
- Family Medical Leave Act
- Leave Donation Program
- Commission Meetings
- Outside Employment and Ethics

PERSONNEL FILES

The HRC's Personnel Policy and Procedure Manual was reviewed and staff interviews were conducted to gain an understanding of the personnel file structure. An employee report was generated in Banner and compared to the HRC's organizational chart to ensure all employees are accounted for. All employees were selected and detail testing was performed to verify that the personnel files contained the required documentation or documentation considered as best practice.

The following issues were noted:

3. Issue:

Upon review of personnel file testing, IAD noted the following:

- Two (2) out of two (2) instances where personnel files did not contain a department policy and procedure manual sign-off.
- One (1) out of two (2) instances where personnel files did not contain Computer and Telecommunications Policy sign-off.
- Two (2) out of two (2) instances where personnel files did not contain a signed Declaration Regarding Material Assistance Form.

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Recommendation:

IAD recommends that the HRC develop a checklist of specific documentation to be included in each personnel file (department sign-offs, performance evaluations, material assistance forms, etc.). This will help to ensure completeness of employee personnel files.

Management Action Plan:

Employees will have a 'sign off' check list sheet in their personnel File indicating receipt of department policies. Target Date July 30, 2014.

4. Issue:

Upon discussion with the Assistant Administrator, IAD noted that personnel files are not maintained for HRC members.

Recommendation:

IAD recommends that the HRC prepare and maintain complete personnel files for all employees, including Commission members. This will help to ensure compliance with Federal and State regulations as well as best practices.

Management Action Plan:

Will separate current file for the three Commissioners into 3 separate files and label as such. Target Date July 30, 2014.

PAYROLL

An interview was conducted to gain an understanding of the payroll process. A payroll approval report was generated and detail testing was performed to confirm appropriate authorizations and proper segregation of duties. Leave reports were reconciled to Kronos to ensure accuracy. Commission members' salaries were reviewed to ensure compliance with County Council Legislation.

No issues were noted.

FRINGE BENEFITS

Detail testing of the following areas was performed, if applicable, to confirm that the HRC is properly processing fringe benefits in accordance with IRS tax code:

- Travel and meals reimbursement
- Cash incentives, awards, gift awards and/or bonuses
- County paid life insurance policies over \$50,000
- Uniforms and clothing allowances
- Employment contracts
- Agency vehicle usage
- Allowances for firearms or tasers and/or any other non-lethal weapon
- Tuition assistance and reimbursement
- Subcontracted employees

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No issues were noted.

AMERICANS WITH DISABILITY ACT (ADA)

ADA regulations and internal HRC policies were reviewed and attributes were developed to ensure that ADA Request and Medical Verification forms were complete and accurate.

No issues were noted.

FAMILY MEDICAL LEAVE ACT (FMLA)

FMLA regulations and internal HRC policies were reviewed and attributes were developed to ensure compliance with FMLA processing guidelines. IAD reviewed Kronos to ensure IT controls are operating in accordance with FMLA policies. Additionally, IAD confirmed that insurance coverage is continued as long as the employee is on FMLA and continues to pay the employee's share of the premium.

No issues were noted.

LEAVE DONATION PROGRAM

IAD reviewed the HRC's Leave Donation Policy and Summit County Codified Ordinances and staff interviews were conducted to gain an understanding of the Leave Donation Program. Attributes were developed and detail testing was performed to ensure donated leave recipients and donors' requests were processed in accordance Codified Ordinance §169.22(d).

The following general recommendation and issues were noted:

General Recommendation

Upon review of the Leave Donation Program – Recipient Applications denied by the HRC, IAD noted one (1) out of five (5) instances where IAD was unable to determine if the leave request should have been approved or denied, due to the ambiguous language contained in Codified Ordinance §169.22(d). IAD recommends that all decisions made by the Assistant Administrator be reviewed and approved by the Administrator. This will help to ensure accountability over the decision-making process.

5. Issue

Upon review of the Leave Donation Program, IAD noted two (2) out of five (5) instances where written consent was not given by the employee to include their name in the email requesting donated leave.

Recommendation:

IAD recommends that employee names not be released unless written consent is received from the employee or the employee's agent (e.g., spouse, immediate family). This will help to ensure that the HRC is in compliance with operating procedures and the Health Insurance Portability and Accountability Act (HIPAA) requirements.

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Management Action Plan:

Leave Donation requests will not include employee name or condition in email unless written consent is given by employee. Corrective Action already taken. Email was sent to all HR Reps on March 14, 2014 instructing them on proper approval for Recipient Forms.

6. Issue

Upon review of the Leave Donation Program, IAD noted two (2) out of twelve (12) instances where the employee's HR Representative signed-off on the employee's application on behalf of the employee and allowed the release of confidential information.

Recommendation:

IAD recommends that the HRC obtain the respective employee's written consent before releasing confidential health information. This will help to ensure compliance with the Health Insurance Portability and Accountability Act (HIPAA).

Corrective Action Taken Prior to the End of Fieldwork:

On 3/14/14, the HRC sent out a memo to all HR representatives stating they will no longer accept verbal requests to share the employee's confidential health information. An employee must either sign the recipient application themselves or email their consent for confidential information to be released.

Management Action Plan:

Corrective Action already taken. See Issue 5.

COMMISSION MEETINGS

HRC Rules were reviewed and attributes were developed to ensure that HRC meetings follow the established procedures.

The following issue was noted:

7. Issue

Upon review of the HRC meeting minutes and discussion with the Administrative Assistant, IAD noted that the HRC does not have a designated Vice-Chairperson, in accordance with HRC Rule §4.03(A).

Recommendation:

IAD recommends that the HRC designate a Vice-Chairperson or update the rules. This will help to ensure proper compliance with HRC rules.

Corrective Action Taken Prior to the End of Fieldwork:

On 3/20/14, the HRC appointed commission member Michael Callahan as Vice-Chairperson.

Management Action Plan:

Corrective Action already taken. Vice Chair appointed at March 20, 2014 meeting.

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ETHICS AND OUTSIDE EMPLOYMENT

IAD obtained and reviewed Codified Ordinance 169.03 to gain an understanding of the County's Ethics and Outside Employment policies.

IAD reviewed the Ethics Disclosure Statement to ensure that the format is consistent with Codified Ordinance 169.03(b)(3)(A-D). IAD performed detail testing to ensure that all unclassified employees complete and returned an Ethics Disclosure Statement by the established deadline.

Additionally, IAD reviewed the Prohibition of Outside Employment Statements to ensure they were completed and returned to the HRC by all required County personnel, in accordance with Codified Ordinance 169.03(c)(1-30).

The following issue was noted:

8. Issue

Upon review of the HRC Ethics and Financial Disclosure statements and through detail testing, IAD noted the following:

- Fifty-two (52) of one hundred and sixty-two (162) instances where HRC's review of the statement was not documented.
- Twenty-one (21) of one hundred (100) instances where the statements was not received by the April 15th deadline, in accordance with Codified Ordinance 169.03.
- Sixty-two (62) of one hundred and sixty-two (162) instances where IAD could not determine if the statement was received by the April 15th deadline because the document was not time stamped when received.

Recommendation:

IAD recommends that a review of all statements be performed and documented, all statements be date-stamped when received, and follow-up be conducted in instances where statements are not received timely. Additionally, IAD recommends that the HRC consider imposing the five dollar (\$5) fine for each day a statement is late, per Codified Ordinance 169.03, to ensure that forms are received timely. This will help to ensure completeness and accuracy of the forms, timely submission, and compliance with Codified Ordinance 169.03.

Management Action Plan:

Both the Administrator and Assistant Administrator will review Statements to verify they are signed and dated. Target Date July 30, 2014.

Bullet One will be corrected by having both Asst Adm and Adm review and check for documentation of review. The HRC may charge \$5.00 a day if not received in timely manner.

II. Security:

Security issues noted during fieldwork are addressed under separate cover in the accompanying report in compliance with ORC §149.433.