



Human Resources

Internal Audit

March 2014

Bernalillo County Internal Audit Human Resources

Executive Summary

SUMMARY OF PROCEDURES

REDW performed an internal audit over Human Resources (HR) at Bernalillo County. Our internal audit focused on testing internal controls for selected processes, including whether the County was in compliance with various policies and procedures as they related to hiring, recruitment and selection. Additionally, we tested whether the NEOGOV system was functioning as intended and processes were being followed. We also performed follow-up procedures on the prior internal audit observations that the Human Resource Department believed were resolved.

The procedures performed included:

- Obtaining an understanding of operational procedures through reading relevant County policies and procedures, reading applicable regulations and interviewing various Human Resource personnel;
- Testing a sample of employees hired after April 30, 2012, to determine if requirements were met in relation to timeliness, documentation, and approvals. Additionally, we tested a sample of five positions from the employees hired after implementation of NEOGOV, where the time-frame for filling the position took longer than expected. By testing the sample, we determined if delays in filling the position were due to valid applicant rejections;
- Testing a sample of open positions, that had not yet been filled to determine the timeliness of screening eligible applicants and if reasons for applicant rejections were valid;
- Assessing whether NEOGOV system access levels granted were reasonable based on department requests and terminated employees were removed timely;
- Testing a sample of employees who took FMLA leave to determine if regulations and policies were followed;
- Testing a sample of employees who were promoted or transferred to determine if each employee met the minimum qualifications for the new position;
- Testing a sample of current W-4 forms in the personnel files and agreed to the withholdings deducted on the payroll register;
- Testing a sample of excess leave deduction updates to determine if balances were properly adjusted.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

We found areas during the course of the audit where controls were functioning properly and established procedures were followed. Current year testing over Human Resources hiring practices resulted in minimal process improvement suggestions. Prior internal audit observations related to FMLA leave notifications, promotion and transfer documentation, updates to W-4 withholding allowances, and excess leave deductions at year-end were resolved, and processes relating to these areas were functioning properly.

There were no significant high and medium risk observations. Low risk observations are included in the attached detailed report.

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Further detail of our purpose, objectives, scope, procedures, observations, and recommendations are included in the internal audit report. In that report, management describes the corrective action taken for each observation.

We received excellent cooperation and assistance from the various departments during the course of our interviews and testing. We sincerely appreciate the courtesy extended to our personnel.

REDW LLC

Albuquerque, New Mexico
May 21, 2014

Bernalillo County Internal Audit Human Resources

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Bernalillo County Internal Audit Human Resources Report

INTRODUCTION

We performed the internal audit services described below solely to assist Bernalillo County in evaluating the internal controls over selected processes relating to Human Resources (HR). Our services were conducted in accordance with the Consulting Standards issued by the American Institute of Certified Public Accountants, Generally Accepted Government Auditing Standards, and the terms of our contract agreement for internal audit services. Since our procedures were applied to samples of transactions and processes, it is possible that significant issues related to the areas tested may not have been identified.

An entrance conference was held on March 25, 2014, at which time most items needed for the audit were requested and had been received. Fieldwork began the week of March 31, 2014. An exit conference was held on April 29, 2014, and final management responses were received on May 21, 2014.

Although we have included management's responses in our report, we do not take responsibility for the sufficiency of these responses or the effective implementation of any corrective action.

PURPOSE AND OBJECTIVES

Our internal audit focused on evaluating selected processes in the Human Resource Department to determine if those processes were in compliance with policies and procedures (P/Ps), applicable regulations, and reflected best practices and sound internal controls. We evaluated the adequacy and reasonableness of the internal controls surrounding processes including whether the County was in compliance with various rules and regulations as it related to hiring, recruitment and selection. The hiring process and NEOGOV system were functioning as intended and processes were being followed. Additionally, our audit included follow up on resolved prior internal audit observations.

SCOPE AND PROCEDURES PERFORMED

In order to gain an understanding of the processes and operations surrounding Human Resources, we interviewed the following personnel:

- Renetta Torres, Human Resources Director
- Dorothy Astorga, Human Resources Executive Assistant

- Toby Trujillo, Human Resources Information Systems (HRIS) Manager
- Joy Varela, Human Resources Program Analyst III

In order to understand policies and procedures over Human Resources we read relevant portions of:

- Bernalillo County Administrative Instruction No. HR 01 – Applicant Testing;
- Bernalillo County Administrative Instruction No. HR 02 – Interviews/Offers of Employment;
- Bernalillo County Administrative Instruction No. HR 03 – Personnel Actions;
- Bernalillo County Administrative Instruction No. HR 04 – Filling Vacancies;
- Bernalillo County Employment Rules & Regulations Section 100 – Administration of Employment Relations Ordinance and Employee Records;
- Bernalillo County Employment Rules & Regulations Section 300 – Recruitment and Selection;
- Bernalillo County Employment Rules & Regulations Section 1000 – Leave and Holidays; and,
- User guides and process outlines for the NEOGOV system.

We performed the following testwork:

Employee Hiring: We selected a statistical random sample of 22 employees (based on 90% confidence level (CL) and 10% tolerable deviation (TD)) hired after April 30, 2012, which included 11 employees hired prior to implementation of NEOGOV and 11 employees hired after the implementation of NEOGOV. For each employee selected, we tested the time-frame from job posting to filling the position, to determine the timeliness of filling the position. We tested the compliance related to forms and approvals required by the County Administrative Instructions and Employment Rules and Regulations. Additionally, we selected a sample of five open positions, where time-frames for filling the position took longer than expected, in order to determine if reasons for applicant rejections were valid.

Open Positions: We selected a sample of five open positions as of March 27, 2014, from BernCo.gov job postings and tested the timeliness of screening the applicants and if reasons for applicant rejections were valid.

NEOGOVS System Access: We selected a sample of five NEOGOV users and tested whether their access levels to the NEOGOV system were granted in accordance with department requests.

NEOGOVS User Updates: We obtained the listing of NEOGOV users as of March 20, 2014, and verified all users against the listing of active County employees to ensure user access was updated timely for terminations.

Follow-up Procedures: Procedures are outlined in the Follow-up section at the end of the report.

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

We identified the following low risk weaknesses relating to the Bernalillo County’s processes:

1) System Access Not Updated Timely

Employees should be removed as users from all County systems upon termination. During our testing of NEOGOV system users we observed the following:

- 11 of 306 terminated employees were listed as active users in the NEOGOV system user listing as of March 2014.
- 3 of 306 employees were terminated prior to the implementation of NEOGOV; however, their user rights were transferred from the old system during the transition.

Potential Risk: Low – Terminated employees could potentially access NEOGOV; however, HR would not send a terminated employee applications to screen.

Recommendation

HR should periodically compare all users to the employee listing and remove terminated users from the NEOGOV system.

Management's Response

The HR Department has asked all departments to review the current list of employees designated to receive electronic listings of qualified applicants for department position requisitions through NEOGOV. This review will be requested semi-annually. Additionally, HR will remove names of employees as they transfer to other departments. It is important to note that this access only relates to the receipt of qualified applications for posted vacant positions within a given department.

2) Processes for Screening Applicants Not Consistent

The HR Department has created an internal benchmark for screening applicants, which requires the Employment Specialist to screen applications received by the end of the following week. During our testing of open positions we observed three of 18 applicants were not screened by the end of the following week. Additionally, for one of ten rejected applicants tested, documentation was not maintained to support the reason for rejecting the applicant.

Potential Risk: Low – If the HR Department does not process applications on a timely basis, the County may lose the applicant to another job.

Recommendation

The HR Department should consider creating a checklist to document screening processes with timelines for specific steps identified and create a section to document conversations with applicant references where qualifications were validated. This could also serve as a record that discrepancies found in an application were investigated and confirmed to alleviate any questions that may arise related to reasons for rejecting the applicant.

Management's Response

The employment manager is currently tracking all employment specialists to ensure that all applications are being screened in a timely manner. All employment specialists are being advised to ensure that documentation is provided to support reasons for disqualifying applicants. Any communication with applicants is being documented for future reference.

3) Administrative Instructions Do Not Reflect Current Processes

The NEOGOV system was implemented in January 2013; however, current County Administrative Instructions and Employment Rules & Regulations do not reflect changes to the hiring processes or to documentation and approval requirements related to this system as of April 2014.

Potential Risk: Low – Outdated policies and procedures may lead to processes not being followed or required steps and approvals could be missed.

Recommendation

The County should update the Administrative Instructions and Employment Rules & Regulations to reflect current hiring and recruitment processes related to the NEOGOV system, with special attention to changes in documentation and approval requirements.

Management's Response

The implementation of NEOGOV has changed the previous hiring and recruitment process. Bernalillo County is currently in the processing of updating Rules and Regulations along with Administrative Instructions.

FOLLOW-UP ON PRIOR-YEAR OBSERVATIONS

Follow-up testing was performed on observations from the Human Resources internal audit reports from February 2010 and October 2011, if HR considered the observation significantly improved or resolved. The status of each observation below was determined through inquiry, testing, and/or observation.

Prior Observation: FMLA Notifications and Documentation (HR-2011 #2)—“Family and Medical Leave Act - a. Employees were not always notified timely regarding HR’s determination of the employee’s FMLA eligibility. The code of Federal Regulations, 29 CFR 825.300, requires that the employee be notified of eligibility within five business days of application. Twenty of 22 employees tested were not notified within five business days of the request. The timeframe to notify employees ranged from seven to 81 days with an average of 28 days; b. Fitness for duty certifications were not obtained prior to the employee returning to work in three of 11 instances. Two certifications were not on file and one was completed and signed 56 days after the employee returned to work.”

Current Status: Resolved—We obtained a listing of all employees that took FMLA leave between November 1, 2013 to March 31, 2014, and selected a sample of 10 employees to determine that the FMLA leave request form was on file, verified if HR confirmed or denied the request within five business days of submission, and confirmed that a Fitness for Duty certification was obtained prior to the employee returning to work.

There have been significant improvements in the processes and no issues were identified related to notifying employees and maintaining documentation within the HR Department. The results of testing indicated that one department (Fire and Rescue) allowed an employee to return to work for light duty on February 24, 2014, without notifying HR or obtaining a Fitness for Duty certification. The Fitness for Duty certification from the employee’s doctor was not submitted to HR until April 3, 2014. The HR Department should consider implementing a process with the

assistance of the Payroll Department to freeze payments to employees on FMLA to ensure that required documentation is submitted in a timely manner prior to employees returning to work.

Prior Observation: Maintenance of Documentation for Promotions/Transfers (HR-2011 #3)—“Internal Promotions and Transfers - a. Applications for promotion or transfer were not always on file. We observed one out of 22 instances where an employee’s application was not on file to support the promotion. HR Rules and Regulations section 407 states that an employee may be selected to transfer to a vacant position if the employee meets the minimum qualifications for the position as demonstrated by the completion of an employment application. Based on review of other support in the personnel file it appeared that the employee did meet the minimum qualifications; however, no application was on file; b. Memorandums for involuntary transfers, documenting the County Manager’s approval and HR’s determination that the employee met the minimum qualifications, were not always maintained. In two out of 22 instances a transfer memorandum noting the County Manager’s approval was not on file. HR Rules and Regulations section 407 (C) requires that in the event an employee is transferred at the County’s initiative, the County Manager must approve the transfer upon conferring with the Department Director and the employee. c. Work history, experience, credentials, and qualifications were not verified by HR for those employees promoted based solely on work experience. Department Directors are responsible for calling professional references; however, no documentation was maintained to demonstrate that efforts were made to validate the employee’s work history. We tested 12 promotions based solely on work experience and found that none had supporting documentation on file demonstrating that HR verified the experience state on the application. HR Rules and Regulations state it is ultimately HR’s responsibility for determining that an applicant meets the minimum qualifications. d. Reasonable documentation supporting an employee’s minimum qualifications for promotion to his or her position was not always maintained. We identified two instances out of 22 with inadequate documentation on file to support that the individual met the minimum qualifications for promotion to a new job position. In the first instance, the individual did not appear to have seven years of tax experience as required by the job description. In the other instance, the individual was promoted to a Director position without having the required bachelor’s degree. Based on all information available we could not determine that the employee was adequately qualified for the position.”

Current Status: Resolved—We obtained a listing of employees transferred or internally promoted between March 2013 through February 2014 and selected a judgmental sample of 10 employees to determine if employees met the minimum qualifications for the position, and validated that adequate documentation was on file to support the employee’s stated credentials.

There have been significant improvements in the processes and no issues were identified in maintaining documentation to support that employees promoted or transferred met the minimum qualifications for the positions tested. The results of testing indicated that one employee transferred from the Metropolitan Detention Center to the Fleet and Facilities Management Department on October 22, 2012, was not transferred in the Empath system until February 9, 2013.

Prior Observation: W-4 Allowance Updates (HR-2010 #1)—“Certain W-4 documentation did not correspond to payroll register. We noted three of the 90 employees tested where the exemptions on the W-4 form in the personnel files did not agree to the deductions on the payroll register. There was no documentation for the amount being withheld from the employee’s paycheck.”

Current Status: Resolved—We obtained the listing of active employees for the last two years through March 2014, and selected a sample of 22 employees (90% CL & 10% TD) and tested that the latest W-4 signed form in the employee’s personnel file agreed to the deductions on the payroll register.

Significant improvements in the process have been made. Additionally, as of January 2014 all updates are initiated by the employee in the Empath system and updated electronically. We identified two W-4 changes made prior to February 2013 that were not properly updated in the system. To further reduce the risk of errors, the HR Department sent a notification to all County employees on April 24, 2014, to verify their Federal W-4 exemptions were correct in the Empath system.

Prior Observation: Excess Leave Removal (HR-2010 #5)—“Excess leave deduction process is inefficient and creates greater risk for errors. There were various issues identified with the excess leave deduction process currently in place at the County. Some of the data in the spreadsheet did not recalculate and some of the formulas and hard coded data were incorrect. This is a manual process performed annually and is very time consuming since the County has approximately 2,500 employees. With all manual processes there is a greater risk of error, as we found with the leave deductions done at the County. Some of the issues identified included the leave accrual to determine excess leave being done incorrectly and incorrect calculations of excess leave resulting in incorrect deductions of leave.”

Current Status: Resolved—We obtained the excess leave schedule for all employees with balances over 288 hours as of year-end. We judgmentally selected a sample of 74 employees that requested an extension to verify that the request was on file. Additionally, we determined if excess leave was properly deducted at the end of the year for 127 employees that had not submitted an extension request.

There have been significant improvements in the processes and no issues were identified in maintaining documentation to support leave extension requests and updating leave balances at year end for those employees that were not granted a leave extension.

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This report is intended for the information and use of Bernalillo County management, the audit committee, members of the Board of Commissioners of Bernalillo County and others within the organization. However, this report is a matter of public record, and once accepted its distribution is not limited.

We discussed and resolved other minor observations with management and received excellent cooperation and assistance from the various departments during the course of our interviews and testing. We sincerely appreciate the courtesy extended to our personnel.

REDW LLC

Albuquerque, New Mexico
May 21, 2014