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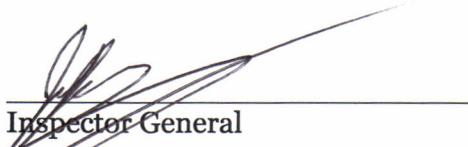
TO: Michael D. Crews, Secretary

FROM: Jeffery T. Beasley, Inspector General

DATE: October 9, 2014

SUBJECT: FOLLOW-UP AUDIT REPORT #A15008F – THE AUDITOR GENERAL’S PAYROLL AND PERSONNEL PROCESSES AT SELECTED STATE AGENCIES, OPERATIONAL AUDIT, REPORT #2014-184

The Bureau of Internal Audit performed a follow-up audit to the Auditor General’s Payroll and Personnel Processes, Operational Audit, Report # 2018-184, issued in April 2014. The objectives of the follow-up were to determine if corrective actions were taken on reported audit findings and whether the actions taken should correct the findings identified in the original report. The scope of the follow-up consisted of obtaining from the Office of Human Resources a written response along with documentation of corrective action taken to implement the audit recommendations. Audit staff has evaluated the follow-up responses and found the Office of Human Resources is taking steps to address Finding 1, which warrants further follow-up. As for Findings 2 through 4, the Office of Human Resources has taken steps to address the findings and no further follow-up is warranted.



Inspector General

JB/PS/kj
Attachment

Timothy Cannon, Deputy Secretary
Mike Dew, Chief of Staff
Glory Parton, Director of Human Resource Management
Libby Wilkerson, Chief of Personnel
Kenneth Sumpter, Deputy Inspector General
Office of the Chief Inspector General
Joint Legislative Auditing Committee

FLORIDA DEPARTMENT OF CORRECTIONS

***Follow-up of Auditor General's Report #2014-184
Payroll and Personnel Processes at Selected State Agencies,
Operational Audit***

Jeffery T. Beasley, Inspector General

Report #A15008F

Paul R. Strickland, Chief Internal Auditor

October 9, 2014

BACKGROUND

Florida's State Government had 161,648 established positions at June 30, 2012, and 161,405 established positions at June 30, 2013. State employees are included in a variety of different and autonomous personnel systems each having its own set of rules and regulations, collective bargaining agreements, and wage and benefits packages. The largest of the six primary State Government personnel systems, the State Personnel System (SPS), comprises 32 State agencies and other entities with the executive and legislative branches of State Government.

While the various State agencies have personnel management responsibilities related to their agencies' employees, the Department of Management Services (DMS), Division of Human Resource Management, is responsible for developing and supporting the State's overall human resource infrastructure. Responsibilities of the DMS include managing the SPS, Florida Retirement System, and State group insurance.

People First, a Web-based, self service personnel information system, is utilized by employees, managers, human resource professionals, and retirees to manage most of the State's human resource functions. The DMS is the functional owner of People First, but the self-service functionality of the system is at the State agency and State employee level.

The Department of Financial Services (DFS), Division of Accounting and Auditing, Bureau of State Payrolls (BOSP), is responsible for certain centralized payroll functions such as paying State employees, remitting tax and retirement contributions and withholdings to administrating agencies, maintaining the Florida Accounting Information Resources Subsystem (FLAIR) Payroll Component records, and auditing the State agencies' payroll-related processes. State agencies are responsible for ensuring that all time records and rate of pay information are entered in People First.

In April 2014, the Office of the Auditor General published Report # 2014-184, Payroll and Personnel Processes at Selected State Agencies, Operational Audit.

OBJECTIVES

The follow-up objectives were to determine:

- if corrective actions were taken on reported audit findings; *and*
- whether the actions taken should correct the findings in the original audit report.

SCOPE AND METHODOLOGY

A request was made to the Office of Human Resources for a written response along with documentation of corrective action taken to implement the audit recommendations.

RESULTS OF FOLLOW-UP

Finding No. 1: State agencies did not always perform, or document the performance of, audits of unused leave balances prior to calculating leave payouts or maintain evidence that leave payouts were appropriately authorized. Additionally, errors were noted in some leave payouts.

Recommendation: State agency management ensure that appropriate records are maintained to demonstrate that all leave payments are properly authorized and accurately calculated and that leave audits are appropriately performed and documented for all employee leave payouts.

Management's Original Response: *Leave audits are the contractual responsibility of People First, who has developed a leave audit report for agency use to satisfy this responsibility. In response to the previous audit, the Department developed Procedure 208.061, "Unused Leave Payout", to ensure leave audits are performed. Our process does not require printing the leave audit report because it is too large to print and maintain in a personnel file. To address this audit, Procedure 208.061 will be amended to outline a process for documenting a leave audit has been performed. Additionally, the Department will add a reviewer signature to form DC2-8041, "Employee Leave Disposition Checklist", to satisfy as evidence appropriate management approval for unused leave payouts.*

Management's Follow-Up Response: *Procedure 208.061, "Unused Leave Payout" has been updated to require that a leave audit is performed and documented. Additionally, the "Employee Leave Disposition Checklist", DC2-8041, was updated to include a reviewer/approver signature line.*

Bureau of Internal Audit Comments: *The Office of Human Resources is taking steps to address the finding. Procedure 208.061, "Unused Leave Payout," and the "Employee Leave Disposition Checklist, DC2-8041" are in review for the updates referenced in the follow-up response. Once finalized, the action taken should correct the finding in the original report. Further follow-up is necessary and will be conducted.*

Finding No. 2: Some State agencies had not established adequate policies and procedures related to dual employment that effectively promoted compliance with State law. Additionally, State agencies did not always document that dual employment was properly approved in accordance with the requirements of State law, DMS rules, and other guidelines.

Recommendation: State agency management establish appropriate procedures that provide for the proper submittal and approval of dual employment requests. Additionally, State agencies utilize available dual employment reports to ensure that the

dual employment activities of all applicable personnel have received appropriate consideration in accordance with State law, DMS rules, and other guidelines.

Management's Original Response: *The Department utilizes DMS Dual Employment Guidelines and forms; however, in response to this audit we will develop a procedure based on these guidelines. Direction and instruction will be provided to Personnel staff regarding dual employment reports located in the Report Distribution System (RDS) in FLAIR. However, it must be noted that these reports provide little assistance due to the extraneous information they contain.*

Management's Follow-up response: *Payroll staff have been instructed to routinely review RDS reports from FLAIR to identify employees that may be dually employed. Additionally, the Personnel Action Request (PAR) Form, DC2-819, has been updated to include dual employment information that can be obtained upon hire to assist with identifying employees that may be dually employed. The Supplemental Application was also updated to notify the employee that it is the employee's responsibility to notify the Department if they are employed by another state agency.*

Bureau of Internal Audit Comments: *The Office of Human Resources has taken steps to address the finding. Based on the documentation reviewed, the action taken should correct the finding in the original report; therefore, no further follow-up is necessary.*

Finding No. 3: State agency and DFS processes and procedures for salary reissuances should be enhanced to avoid overpayments to third parties for miscellaneous post-tax deductions. Additionally, State agencies did not always timely initiate efforts to collect from third parties overpayments made as a result of canceled salary payments.

Recommendation: DFS provide specific guidance to State agencies regarding the methods available to prevent overpayments of miscellaneous post-tax deductions related to salary payment reissuances. Additionally, DACS, DCF, and DOC establish policies and procedures regarding salary payment cancellations and reissuances and the recovery of overpayments from third parties and that the DMS update its policies and procedures to address monitoring the recovery of overpayments. Also, State agencies take appropriate steps to ensure the timely recovery of overpayments of State funds.

Management's Original Response: *In the past, the Department relied upon the Bureau of State Payrolls (BOSP) manual for detailed instruction regarding payroll processes. The Department will issue a Personnel Information Memorandum (PIM) to provide guidance to our payroll offices regarding salary payment cancellations and reissuances, and the recovery of overpayments from third parties.*

Management's Follow-up response: *On February 7, 2014, guidance was provided to our Regional Payroll staff regarding the clarification of salary cancellations and 3rd party vendor reimbursements. On April 25, 2014, the Bureau of State Payrolls issued DFSBP 14-03 entitled "Prevention and Recovery of Miscellaneous Post-Tax Deduction Overpayments." This provided specific guidance regarding the methods available to prevent overpayments of miscellaneous post-tax deductions*

related to salary payment reissuances. The Department previously established miscellaneous deduction code of 585 – DOC Recovery of State Funds and has began using the code as a result of this audit.

Bureau of Internal Audit Comments: *The Office of Human Resources has taken steps to address the finding. Based on the documentation reviewed, the action taken should correct the finding in the original report; therefore, no further follow-up is necessary.*

Finding No. 4: State agencies did not always document, upon the employees' separation from State employment, the return of State-owned property items assigned to employees.

Recommendation: State agency management take steps to ensure that forms designed to document the return of all State-owned property by separating employees are utilized during the out processing of employees.

Management's Original Response: *The Department will work with managers and supervisors to stress the importance of documenting the return of all State-owned property and complying with Procedure 208.029, "Separation Process for Terminated Employees Procedure".*

Management's Follow-up Response: *The Bureau of Personnel worked with the Office of Institutions to update Procedure 602.043, "Correctional Officer Uniform Requirements", to ensure proper completion, collection, and documentation of the return of Department issued property upon an employee's separation.*

Bureau of Internal Audit Comments: *The Office of Human Resources has taken steps to address the finding. Based on the documentation reviewed, the action taken should correct the finding in the original report; therefore, no further follow-up is necessary.*