

HUMAN RESOURCES AUDIT

July 1, 2006 thru June 30, 2007

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Administration

The Human Resources Department (HR) saw many changes during the stated audit period. Suzanne Hackney retired after 6 years service effective May 14, 2007. Ms. Hackney remains as an active independent consultant for salary and benefits survey information. Ms. Gloria Roark started her position April 23, 2007. Ms. Roark was previously employed by the Arkansas Department of Environmental Quality (ADEQ) as HR Director and worked in HR for the State of Arkansas System for 22 years. She is assisted by HR Technicians Patsy Bishop and Rebekah Roddy. Ms. Bishop has approximately 7 years experience in HR, while Ms. Roddy recently transferred from the Finance Department where she was the accounting technician. Ms. Roddy was transferred after the termination of Ms. Kathy Sanders effective June 11, 2007. All three ladies are capable and are able to run the department in an efficient and prudent manner.

Purchasing

A review of purchase orders and contracts was conducted per the audit time frame. Purchases contained all relevant documentation to support payment. The primary contract review was Benergy for annual FSA service and Real Value Statements. Contract was approved by Council by Resolution NO 2006:159. effective January 1, 2007 Through December 31, 2007. The FSA participation contract outlined the amount of \$5.00 per employee participation plus \$400 per month maintenance fee. Further an initial setup fee of \$600.00 was to be paid. In addition, the fee for the annual real value statements was \$1,650.00 base on 455 participant at inception. Real Value Statements have not been paid for as of October 15, 2007. However, contract signed does not address real value statements, only the FSA program

The FSA benefit cards were issued with only minor problems reported with the reimbursements for child care provision of program. However as of October 15, 2007 no Real Value Statements have been provided even though all information requested has been provided in requested format. The most recent request for information was September 9, 2007 and was provided by September 11, 2007. Provider indicated that turnaround would be 2 business days after receipt of information. No statements were available at minimum 30 days later. A review of delay and discussions with provider are warranted given no deliverables have been produced.

Management Information

Human Resources primary function is the coordination of employment services for efficient and effective personnel management. One key function is payroll enrollment, changes and terminations. An examination of 30 randomly selected employees

demonstrated 23 payroll change forms were not supported by proper documentation with 7 sufficient on all parts. Items primarily listed were missing signatures of employee, supervisor or HR Director, forms not dated by aforementioned group, or no form at all. HR Director Roark was asked about the missing payroll change forms. She indicated that HR should be exclusively authorized to make payroll changes. Never the less some supervisors bypass HR and send changes directly to payroll clerk.

Recommendation Number 1

High Priority

All changes MUST go through HR and changes need verification by separate individual than those who entered information.

HR Response: Will re-emphasize with payroll and at the next department head meeting that all payroll changes must be submitted by the supervisor in an accurate and timely manner to Human Resources. HR will process all changes and send to payroll and request that the payroll clerk verify the transaction has been entered in the computer as a check and balance. HR is also looking at the payroll change notice to assess if it meets the City's needs.

Reports

The ability to track performance is key to sound and efficient management of resources. Tracking the trend and level of employee turnover, absenteeism, transfer requests, grievances and the number of safety and accident rates is a vital key. Per the audit information request, Ms. Roark indicated that Springbrook does not have the capability to track promotions, salary changes, or applicant rejections. These items are routinely tracked by HR departments. Tracking information is in employee files but no mechanism on Springbrook to record or retrieve information when needed.

Absenteeism management is a primary goal of maintain staffing efficiency. Currently the City of Jonesboro tracks work absences, however a formal reporting process for tracking work hours missed is not in place.

Recommendation Number 2

High Priority

Formal training and reporting for positive absence management, plans for reduction of absenteeism per Department and targets set for monitoring.

HR Response: This needs to be accomplished by computer generated reports which is not currently available with Springbrook. Will discuss at the next department head meeting to reiterate that this information be kept by the departments and forwarded to HR on a quarterly basis.

At present standardized reports for EEO, Workers Compensation, Health and Safety, Promotions, and Transfers, are not consistent and usable on Springbrook. Errors detected had to be corrected on EEO, and it took over 3 months to get semi-usable information.

Director Roark and Software Engineer Ed Akins spoke often during July 2007 through September 30, 2007 with Springbrook concerning the EEO report. Springbrook provided background information from generated report and Gloria manually added information to complete report on time. However, EEO report on Springbrook is still not trustworthy as currently ran.

Recommendation Number 3

High Priority

Continue to work with Springbrook to correct standard reports, however, if difficulty continues look for outside software with “canned” HR reports.

HR Response: Will continue to work with Springbrook as problems arise and assess the capabilities of current software.

Safety and Security

Safety is the first prong in hazard mitigation for staff. The City of Jonesboro is not required to follow OSHA safety regulations, but all of these regulations are covered under the Workers Compensation rules and are thereby covered. Safety and security of personnel, property, and equipment is paramount for effective daily operations. The City of Jonesboro is extremely cognizant of the perils of poorly secured buildings coupled with irate perpetrators. First aid training of all city employees is a key goal to start. CPR training is the recommended next step. At minimum five employees in each department over 25 and three in remaining departments would be the minimum requested for CPR certification. The Jonesboro Fire Department has the certified personnel to teach said courses at no cost to departments. Also a New Job Injury Notification procedure was implemented to help with reduction of worker’s compensation claims due to doctor visits which could have been addressed with just first aid.

Security is the second prong in hazard mitigation. At present no city building has restricted entrances except E-911. Recent events in the city highlight the need for security measures for city employees. However, the need of open access to city governmental services versus employee and building safety is the conundrum. A review is needed of areas not normally accessed by the public which could be restricted differently than those where frontline services are provided. An alert code or alarm signals should be implemented in each department to help deter and notify in the event of danger. Bright, effective lighting installed indoors and outdoors and access security to keep unauthorized persons from entering facilities thru normal entrances would also help mitigate danger. Employees are encouraged to promptly report incidents and suggest ways to reduce or eliminate risks.

Recommendation Number 4

High Priority

Development of safety and security policy, procedures coupled with training and implementation is needed.

HR Response: ID Badge system has been purchased to have a picture ID for all employees. Will discuss at next department had meeting for the needs of their areas for security and development of procedure. Currently HR is working with the Fire Department to provide first aid and possibly CPR training.

Compliance

Compliance is either a state of being in accordance with established guidelines, specifications, or legislation or the process of becoming so. It is also a crucial component of Human Resource Management. The audit encompassed a general basic compliance review of the following major regulations vital to HR. Additionally the Employee Handbook was examined for basic compliance.

- HIPAA – Health Insurance Portability and Accountability Act
- FLSA – Fair Labor Standards Act
- EEO- Equal Employment Opportunity
- I-9's Forms – Immigration Reform and Control Act of 1986
- Labor Posters – Federal and State mandates

HIPAA

HIPAA implemented sweeping changes in most healthcare transaction and administrative information systems. "HIPAA" is an acronym for the Health Insurance Portability & Accountability Act of 1996 (August 21), Public Law 104-191, which amended the Internal Revenue Service Code of 1986. Also known as the Kennedy-Kassebaum Act, the Act includes a section, Title II, entitled Administrative Simplification, requiring:

1. Improved efficiency in healthcare delivery by standardizing electronic data interchange, and
2. Protection of confidentiality and security of health data through setting and enforcing standards.

More specifically, HIPAA called upon the Department of Health and Human Services (HHS) to publish new rules that will ensure:

1. Standardization of electronic patient health, administrative and financial data
2. Unique health identifiers for individuals, employers, health plans and health care providers

3. Security standards protecting the confidentiality and integrity of "individually identifiable health information," past, present or future.

Effective compliance requires organization-wide implementation.

Compliance requirements include:

- Building initial organizational awareness of HIPAA
- Comprehensive assessment of the organization's privacy practices, information security systems and procedures, and use of electronic transactions
- Developing an action plan for compliance with each rule
- Developing a technical and management infrastructure to implement the plans
- Implementing a comprehensive implementation action plan, including
 - Developing new policies, processes, and procedures to ensure privacy, security and patients' rights
 - Building business associate agreements with business partners to support HIPAA objectives
 - Developing a secure technical and physical information infrastructure
 - Updating information systems to safeguard protected health information (PHI) and enable use of standard claims and related transactions
 - Training of all workforce members
 - Developing and maintaining an internal privacy and security management and enforcement infrastructure, including providing a Privacy Officer and a Security Officer

All medical information of the 32 sampled employees was held separately and had limited accessibility by appropriate staff. Included in the appraisal of HIPPA compliance was a review of current health care plan for Part 7 of ERISA, HIPPA provisions. No sections of the Health Plan were identified as out of compliance except the late enrollment of participants in the dental plan. Late enrollees are not treated the same as individuals who enroll when first eligible. Specifically late enrollees are not allowed the same coverage for certain services as first eligible individuals. **HR needs to address this provision during the next bidding of dental services.**

FLSA

FLSA Recordkeeping Requirements were my chief review. The FLSA sets minimum wage, overtime pay, recordkeeping and child labor standards for employment subject to its provisions. Unless exempt, covered employees must be paid at least the minimum wage and not less than one and one-half times their regular rates of pay for overtime hours worked.

The City of Jonesboro has a starting minimum wage that is above the federal and state minimums and all non-exempt staff are paid time and a half for their overtime hours. Furthermore no child labor is currently employed by the city.

Every covered employer must keep certain records for each non-exempt worker. FLSA requires no particular form for the records, but does require that the records include certain identifying information about the employee and data about the hours worked and the wages earned. The law requires this information to be accurate. The following is a listing of the basic records that an employer must maintain:

1. Employee's full name and social security number.
2. Address, including zip code.
3. Birth date, if younger than 19.
4. Sex and occupation.
5. Time and day of week when employee's workweek begins.
6. Hours worked each day.
7. Total hours worked each workweek.
8. Basis on which employee's wages are paid (e.g., "\$9 per hour", "\$440 a week", "piecework")
9. Regular hourly pay rate.
10. Total daily or weekly straight-time earnings.
11. Total overtime earnings for the workweek.
12. All additions to or deductions from the employee's wages.
13. Total wages paid each pay period.
14. Date of payment and the pay period covered by the payment.

A sample of 32 newly employed staff during the audit time frame were evaluated for the aforementioned 14 requirements. Of the sample 16/32 had missing information 6/16 had multiple forms missing information such as incomplete w-4's, payroll changes and Arkansas W-4's. A list was compiled and left with management. A copy of said list can be viewed in Appendix A. It is entitled Employee Files Not Supported by Proper Documentation. The quote of 'The devil is in the details' summarizes the plight of HR staff.

Recommendation Number 5

High Priority

A re-training of staff and a checks and balances system to verify all required information is obtain needs implemented.

HR staff has been retrained in completing all appropriate forms at time of hire and when changes are made and ensuring all forms are complete and maintained in their personnel file. We have also corrected all the I-9's addressed in the audit.

Employers may use any timekeeping method they choose. For example, they may use a time clock, have a timekeeper keep track of employee's work hours, or tell their workers to write their own times on the records. Any timekeeping plan is acceptable as long as it is complete and accurate. A previous review of payroll found some errors with timekeeping and was addressed with management and staff at the conclusion of that audit. Said audit was presented previously.

EEO

EEO information is requested, but participation is strictly voluntary. Information provided is collected and reported quarterly by law. Applications do not require any prohibited information. A copy of request form may be found in Appendix A.

I-9's

The Immigration Reform and Control Act of 1986 (IRCA) legally mandates that U.S. employers verify the employment eligibility status of newly-hired employees. IRCA made it unlawful for employers to knowingly hire or continue to employ unauthorized workers. In response to the law, the Immigration and Naturalization Service (INS), now an integrated component of the Department of Homeland Security (DHS), created Form I-9 and mandated its accurate and timely completion by all U.S. employers and their employees.

Form I-9 is a three-part document. The law requires that the employee complete Section 1 at the time of hire or when the employee begins work. Section 1 may also be completed at the application stage so long as the practice does not discriminate. The employer must complete Section 2 within three business days of hire and certify that the employee's documents of identity and work authorization appear to be genuine and belong to the employee. Section 3 is completed by the employer when it is necessary to update or reverify an employee's work authorization document(s).

All 133 I-9 forms from 2007 were reviewed. Of those reviewed 128 had errors, only five were completed per instructions. Employers who fail to fully comply with IRCA face significant legal, financial and public relations risks. Non-compliance, whether intentional or simply caused by oversight, has severe consequences imposed by the DHS, as well as the potential of a governmental image tarnished by negative publicity. Unfortunately, most employers are unaware that they have a problem with Form I-9 employment verification requirements until they are audited by governmental authorities. By that time, it is generally too late to undo the damage.

The following is a partial list of federally mandated fines:

- For employers who fail to properly complete, retain, or make I-9 Forms available for inspection, fines range from \$100 to \$1,100 per individual I-9.
- For employers who knowingly hire or knowingly continue to employ unauthorized workers, civil penalties range from \$250 to \$11,000 per violation.
- For employers engaging in a pattern or practice of knowingly hiring or continuing to employ unauthorized workers, fines can be as much as \$3,000 per employee and/or 6 months of imprisonment.

Given current federal mandates, I-9's identified with missing information could have been fined as low as \$12,800 or as high as \$140,800 based on review findings. List of

missing information was copied and left with management. Management is working to correct missing information.

Labor Posters

A physical inspection was conducted on ten city departments. Poster compliance is as follows:

Current Minimum Wage Posters were found in 90% of the departments inspected. Equal Employment Opportunity (EEO) and Family Medical Leave Act (FMLA) had 30% current, 30% outdated and 40% no poster at all. The Uniform Services Employment Reemployment Rights Act (USERRA) was 40% current and 60 % no poster present. Streets and Sanitation also did not have an OSHA forklift poster as well. Current federal law states that employers will not be fined if most of posters are not displayed, however, lack of posters indicate a lax managerial oversight and could present a legal liability in the event of injury or damage by staff or citizens.

Recommendation Number 6

Medium Priority

HR should purchase annually or as needed current poster requirements and bill cost to each department. Each department head is solely responsible to ensure posters are placed properly.

HR Response: HR has already purchased the required posting and distributed to all departments and have a current supply for the new buildings (fire stations and new animal control). Will monitor annually to ensure that posters are maintained in the various departments.

Handbook

The following are basics which should be covered by human resources/employee handbooks:

Human Relations	Risk Management	Sexual Harassment
Equal Employment Opportunity	Anti- Harassment	Occupational Safety & Health
Job Posting and Hiring	Promotions	Performance Appraisals
Salary Administration	Benefits	Terminations
Employee Expenses	Employment-At-Will	Drug Free Workplace
Non-Discrimination	Affirmative Action*	Absences from Work
Return to Work	* if applicable	

The current City of Jonesboro employee handbook covers all areas but two. Salary Administration is not addressed. Affirmative Action is not applicable unless the city has federal issued contracts over \$50,000. The remaining aforementioned items are

addressed, however many items are very brief in their description and explanation. A further review and expounding of salient points is recommended as city continues to grow.

Page 3-2 of the current employee handbook states “Your performance will be evaluated by your supervisor on an ongoing basis. Formal written evaluations will be conducted at least once each year.” Discussions with Director Roark indicated that actual procedure is different from policy. Current practice is evaluation is on a departmental head/supervisory discretionary basis. No formal system for annual performance reviews has been established.

Recommendation Number 7

High Priority

Policy versus current procedures need reconciled. A formal systematic training and annual evaluations should be implemented starting with the 2008 calendar year.

HR Response: HR Director will meet with department heads to see what evaluation form and process is currently being used to development a city wide evaluation system.

HR will also address changes to the handbook to include salary administration and present to committee and council.

APPENDIX



**CITY OF
JONESBORO**

Dear Applicant:

The City of Jonesboro is an Equal Opportunity/Affirmative Action employer. The information required on this insert is requested only so that we may meet our Equal Opportunity/Affirmative Action obligations. Your completion of this form is purely voluntary and will not, in any way, affect your consideration. This insert will be separated from your application and will be separately maintained.

Position applied for (Please Specify) _____

How were you referred to the City for employment?

AD Walk In Agency (Specify) _____

Employee (Who?) _____ State Employment Service

Other _____

Are You? Male Female White (Not of Hispanic Origin)

Black (Not of Hispanic Origin) Hispanic Asian or Pacific Islander

American Indian or Alaskan Native

Applicants Name (Please Print)

Applicants Signature

Date

THANK YOU FOR YOUR ASSISTANCE